

BUSINESS WEEK

August 12, 1961

Fifty cents

A McGraw-Hill Publication

How packaging
sells a product

Page 106

Below: Prime Minister Macmillan's dilemma—how
to take Britain into the Common Market without
wrecking the Commonwealth [Business Abroad]



NEW *National* 315 ...in a class by itself!



NEW COMPUTER CONCEPT...makes unique use of magnetic cards!

In addition to having up to 40,000 words of core memory, the National 315 employs especially designed magnetic cards as auxiliary memory for high-speed processing.

Each card contains seven magnetic tracks . . . in effect, seven strips of magnetic tape . . . and stores 21,700 alpha-numeric characters of data.

256 cards (over 5.5 million characters, equivalent to over 69,000 punched cards) are housed in an interchangeable file. Up to 16 Card Random Access Memory (CRAM) files . . . over 88 million characters . . . can be operated on-line with the processor. Cards are selected in less than 1/5th of a second . . . and data is transferred at the rate of 100,000 characters per second.

Before you invest in electronics, call your nearby National office or write to National's EDP Sales Division at Dayton 9, Ohio.

THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO
1,039 OFFICES IN 121 COUNTRIES • 77 YEARS OF HELPING BUSINESS SAVE MONEY

FOR THE FIRST TIME

a random memory device can be utilized for both random and sequential processing.

FOR THE FIRST TIME

the memory of a random access device can be removed and a new memory mounted in approximately thirty seconds.

FOR THE FIRST TIME

it is economically practicable to employ multiple random access units in one system.

TRADE MARK REG. U. S. PAT. OFF.

National

ELECTRONIC DATA PROCESSING
ACCOUNTING MACHINES
ADDING MACHINES • CASH REGISTERS
NCR PAPER (NO CARBON REQUIRED)

In BUSINESS this WEEK

August 12, 1961

Page 19	Business Outlook
41	Washington Outlook
79	International Outlook
101	Personal Business
120	The Trend
2	Figures of the Week
5	Readers Report

General business

- Page 25 **Man in space for a day**
Titov's earth-orbiting feat dispels doubts about Soviet space capabilities
- 26 **First leg of journey to space**
Giant Saturn booster starts barge trip to Cape Canaveral despite jam at dam
- 28 **Jet losses jar General Dynamics**
It seeks solutions to problem of huge costs of commercial jet program
- 29 **TWA names Hughes in \$115-million suit**
Airline charges that Howard Hughes cost the company millions
- 30 **Stock price soar: the bull market rises on defense orders**
It's a "crisis" market closely tied to Washington and cold war
- 31 **Antitrust boss takes new swipe at AT&T**
Loevinger's threat to divest giant utility of its international operations may be clue to Administration's plans for enforcing antitrust laws
- 32 **A rash of airline bargains**
Discounts and special fare plans, invoked by carriers to fill seats in their expanding fleets, create chaos at the ticket counter
- 34 **What TV is offering for fall**
There's a definite turn to quality shows in the wake of heavy criticism
- 36 **Civil defense push**
Kennedy's new program for community shelters for millions of Americans could cost billions in years ahead
- 38 **In business**
Giant new solid-fuel rocket is tested; advertising rules for defense contractors; Portland deal expands Newhouse empire; capital spending overseas

BW

The departments

- Business Abroad** 55 **In business abroad**
- 56 **Why Britain casts its lot with Europe.** Swift growth of EEC convinces Macmillan he must cut Commonwealth ties and join the mighty economic bloc
- 72 **Quadros acts.** Brazil's president sets up planning agency to draft first five-year plan
- 74 **U. S. motorcycle maker guns for foreign sales.** Harley-Davidson is the first American manufacturer in its industry to set up shop abroad
- Finance** 112 **In finance**
- Habits** 90 **Bidders vie for purebreds.** Success of auction indicates that Arabian horses are regaining their popularity
- Labor** 85 **Putting it up to the Big Three.** Next move in Detroit bargaining must come from Ford, GM, and Chrysler. AMC's profit-sharing plan is one issue
- 89 **In labor**
- Management** 45 **Transitron loosens the reins.** Bakalar brothers are delegating more authority
- 48 **In management**
- Marketing** 106 **The perfect package; it's not here yet.** Housewife wants something pretty, easy to open and store. Even so, it's not the wrapping that rules her choice
- 110 **New graphic design jazzes up ads.** New York exhibit features free-wheeling art
- The Markets** 93 **Investors find 'oro' in Spain.** Why Spanish securities are the rage of the international smart money set
- 94 **Wall Street talks**
- 96 **In the markets**
- Production** 50 **Diesel runs on any fuel.** GM's new engine can roll off conventional diesel production lines; older models can be converted for about \$200
- 53 **In production**
- Research** 118 **Testing the Titan by sound.** Acoustical tests make better missiles
- Transportation** 114 **Moving sidewalks start toting more traffic.** Sales are rising to a variety of customers

Business Week
is published weekly
by McGraw-Hill
Publishing Co., Inc.,
330 W. 42nd St.,
N.Y. 36, N.Y.
Second class
postage paid at
N.Y. 1, N.Y.,
and at additional
mailing offices.
Subscription
\$6 a year in U.S.A.
Canadian and foreign
rates on request.

Number 1667

Figures of the week



BUSINESS WEEK index chart

Production

	1953-55 average	Year ago	Month ago	Week ago	\$ Latest Week
Steel ingot [thous. of tons]	2,032	1,537	1,779	1,818	1,850
Automobiles	125,553	103,504	85,889	74,831r	32,020
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]	\$52,412	\$78,441	\$86,372	\$81,744	\$80,188
Electric power [millions of kilowatt-hours]	10,819	15,125	14,133	16,107	\$16,137
Crude oil and condensate [daily av., thous. of bbl.]	6,536	6,837	6,970	6,945	7,024
Bituminous coal [daily av., thous. of tons]	1,455	1,378	1,750	1,344r	1,356
Paperboard [tons]	247,488	320,464	202,725	316,686	328,490

Trade

Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars]	70	54	60	52	52
Carloadings: all others [daily av., thous. of cars]	47	48	37	45	46
Department store sales index [1947-49=100, not seasonally adjusted] ..	121	122	125	122	125
Business failures [Dun & Bradstreet, number]	198	269	220	319	406

Prices

Industrial raw materials, daily index [BLS, 1947-49=100]	89.2	90.8	90.5	91.4	91.7
Foodstuffs, daily index [BLS, 1947-49=100]	90.5	78.2	76.3	75.8	75.3
Print cloth [spot and nearby, yd.]	19.8¢	20.2¢	17.5¢	17.5¢	17.8¢
Finished steel, index [BLS, 1947-49=100]	143.9	186.2	185.5	185.6	185.6
Scrap steel composite [Iron Age, ton]	\$36.10	\$31.83	\$36.67	\$37.17	\$37.83
Copper [electrolytic, delivered price, E&MJ, lb.]	32.394¢	33.000¢	31.000¢	31.000¢	31.000¢
Aluminum, primary pig [U. S. del., E&MJ, lb.]	20.6¢	26.0¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc [U. S. del., E&MJ, lb.]	††	24.00¢	N.A.	N.A.	N.A.
Wheat [No. 2, hard and dark hard winter, Kansas City bu.]	\$2.34	\$1.91	\$1.97	\$1.99	\$2.02
Cotton, daily price [middling, 1 in., 14 designated markets, lb.]	34.57¢	31.27¢	32.44¢	32.89¢	32.99¢
Wool tops [Boston, lb.]	\$1.96	\$1.65	\$1.75	\$1.78	\$1.78

Finance

500 stocks composite, price index [S&P's, 1941-43=10]	31.64	55.55	65.66	66.88	67.64
Medium grade corporate bond yield [Baa issue, Moody's]	3.59%	5.13%	5.08%	5.11%	5.11%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate]	2-2½%	3½%	2¾%	2¾%	2¾%

Banking Millions of dollars

Demand deposits adjusted, reporting member banks	††	60,034	61,155	63,398	62,420
Total loans and investments, reporting member banks	††	108,087	113,257	115,045	114,966
Commercial, industrial and agricultural loans, reporting member banks ...	††	32,342	32,766	32,488	32,568
U. S. gov't guaranteed obligations held, reporting member banks	††	27,429	31,974	34,103	33,829
Total federal reserve credit outstanding	26,424	21,165	28,568	28,289	28,508
Gold stock	21,879	19,134	17,550	17,527	17,527

Monthly figures of the week

		1953-55 average	Year ago	Month ago	Latest Month
Wholesalers' inventories [seasonally adjusted, in billions]	June...	\$10.6	\$13.0	\$13.5	\$13.5
Retailers' inventories [seasonally adjusted, in billions]	June...	\$21.4	\$25.3	\$24.5	\$24.6
Exports [in millions]	June...	\$1,290	\$1,738	\$1,744	\$1,699
Imports [in millions]	June...	\$902	\$1,307	\$1,195	\$1,220

* Preliminary, week ended August 12, 1961.

†† Not available. Series revised.

r Revised.

\$ Date for 'Latest Week' on each series on request.
NA Not available at press time.

The Pictures: Cover, Edo Koenig, Black Star; 25, WW; 26, Sovfoto; 27, Bill Diehl, Jr.; 28 (lt.) Benjamin Sonnenberg, (rt.) Herb Kratochvil; 31, WW; 33, Bud Blake; 34 (lt.) NBC, (cen.) CBS, (rt.) ABC; 45, George Woodruff; 64, Pictorial Parade; 75, Arnold Gore; 89, UPI; 90, (lt.) Jim Mahan, (rt.) Noel Clark; 91, Noel Clark; 106, 107, Syd Landi; 110, 111, Tibor Hirsch; 115, Charles Buzek; 118, Martin Co.

BW BUSINESS WEEK

Editor and Publisher: Elliott V. Bell

Managing Editor: Kenneth Kramer

Assistant Managing Editor: John L. Cobbs

Associate Managing Editors: Peter French, Paul Finney, John A. Dierdorff

Senior Editors: Clark R. Pace, Howard Whidden, M.J. Rossant, Leonard S. Silk, Richard L. Waddell

Departments

Business Outlook: Clark R. Pace, Editor; Resa A. Warshaw

Economics: Leonard S. Silk, Editor; William Wolman

Finance: M.J. Rossant, Editor; Irwin Lainoff

Foreign: Howard Whidden, Editor; Richard C. Halloran, Robert Gibson, Ronald Taggiasco

Industrial Production: Theodore B. Merrill, Jr., Editor; Philip Osborne

Labor: Edward T. Townsend, Editor; Irene Pave

Management: W.J. Arnold, Editor; Lois Stewart, Herbert Klein

Marketing: Richard L. Waddell, Editor; Cora Carter, George B. Finnegan III

Personal Business: Joseph L. Wiltsee, Editor; Nathalie E. Lampman

Regions: Werner Renberg, Editor

Research: Jane H. Cutaia, Editor

Transportation: Brenton Welling, Jr., Editor

Copy Editors: T.B. Crane (Senior Copy Editor), Jeanne A. Bernhardt, Robert F. Deed,

Lawrence H. Odell, Doris I. White, Gene Koretz

Staff Writer: Christopher Elias

Editorial Production: Jean Drummond, John A.C. Elder, George A.M. Heroux,

Kenneth K. Kost, Kathleen Kundel, Robert F. Murphy

Illustration: Richard A. Wolters, Editor; Grant Compton, Pictures; Frank Ronan, Graphics;

Mario De Vincentis, Tibor Hirsch, Herbert F. Kratovil, Jomary Mosley, Arthur Richter, Joan Sydlow

Statistician: Barbara McShane

Library: Tessie Mantzoros, Librarian

Assistant to the Editor & Publisher: Gerald W. Schroder

U.S. and Canadian News Service

Atlanta Bureau: Jack E. Patterson, Manager

Boston Bureau: Franklin N. Karmatz, Manager; Lucie Adam

Chicago Bureau: Keith G. Felcyn, Manager; Marcella Albert, Gordon Williams

Cleveland Bureau: John K. Fockler, Manager; Lawrence Kaufman

Dallas Bureau: John Whitmore, Manager

Denver Bureau: Daniel B. Moskowitz, Manager

Detroit Bureau: William Kroger, Manager; Geraldine Hindes, John Hoerr

Houston Bureau: James P. Roscow, Manager

Los Angeles Bureau: Thomas M. Self, Manager; M. Yvonne Seadin

Milwaukee Bureau: Merlin H. Mickel, Manager; Peg McCormick

Philadelphia Bureau: W.B. Whitchard, Jr., Manager; Eileen P. Schneider

Pittsburgh Bureau: Richard N. Larkin, Manager

San Francisco Bureau: Richard Lamb, Manager; Duane Anderson

Toronto Bureau: Anastasia Erland

Washington Bureau: George B. Bryant, Jr., Manager; Alan E. Adams, Glen Bayless,

Herbert W. Cheshire, Boyd France, Charles S. Gardner, Arthur Hermann, Donald O. Loomis,

Daniel D. McCrary, Gladys Montgomery, Arthur L. Moore, Burke Musselman, Seth Payne,

Dean Reed, Morton A. Reichke, Caroline Robertson, David W. Secrest, Richard A. Smith,

Vincent Smith, Harry Van Dernoort, Peter Weaver

McGraw-Hill Economics Staff

Dexter M. Keezer, Economic Advisor; **Douglas Greenwald,** Manager; **Alfred Litwak,**

Margaret K. Matulis, Guenter H. Mattersdorff, William J. Brown, Jack L. McCroskey,

Peter B. Warren

McGraw-Hill World News Service

Director: John Wilhelm; **Bonn:** Peter Forbath, Silke McQueen,

James Morrison; **London:** John Shinn, O.M. Marashian, John Tunstall, Derek Barlow,

John Flint, Rita Cull; **Mexico City:** John Pearson, Lourdes Marin; **Milan:** Gene Di Raimondo;

Moscow: Ernest Conine; **Paris:** Robert E. Farrell, Helen Avati, Arthur Erikson;

Rio de Janeiro: Leslie Warren; **Tokyo,** Sol Sanders, John Yamaguchi, Haruko Hosono

Associate Publisher: Bayard E. Sawyer

Advertising Director: C.C. Randolph

Business Manager: Richard E. McGraw



Magazine
Publishers
Association



Audit
Bureau of
Circulations

BUSINESS WEEK, August 12, 1961

NUMBER 1667

Published weekly by McGraw-Hill Publishing Company, Inc. Founder: James H. McGraw [1860-1948].

Subscriptions: Available only by paid subscription. Publisher reserves the right to refuse non-qualified subscriptions. Subscriptions to *Business Week* solicited only from management men in business and industry. Position and company connection must be indicated on subscription orders forwarded to address shown below. U.S. subscription rate for individuals in the field of the publication \$6 per year; single copies 50c. Canadian and foreign rates on request.

Executive, Editorial, Circulation and Advertising Offices: McGraw-Hill Building, 330 West 42nd Street, New York 36, N.Y. Telephone: LOnacre 4-3000. Teletype: TWX N.Y. 1-1636. Cable address: MCGRAW HILL, N.Y.

Printed in Albany, N.Y.; Second-class postage paid at New York 1, N.Y. and at additional mailing offices. Title © reg. in U.S. Patent Office. ©Copyrighted 1961 by McGraw-Hill Publishing Co., Inc. Quotations on bulk reprints of articles available on request. All rights reserved, including the right to reproduce the contents of this publication.

Officers of the Publications Division: Nelson L. Bond, President; Shelton Fisher, Wallace F. Traendly, Senior Vice Presidents; John R. Callahan, Vice President and Editorial Director; Joseph H. Allen, Vice President and Director of Advertising Sales; A. R. Venezian, Vice President and Circulation Coordinator, Daniel F. Crowley, Vice President and Controller.

Officers of the Corporation: Donald C. McGraw, President; Hugh J. Kelly, Harry L. Waddell, Executive Vice Presidents; L. Keith Goodrich, Executive Vice President & Treasurer; John J. Cooke, Vice President & Secretary.

Unconditional Guarantee: The publisher, upon written request, agrees to refund the part of the subscription price applying to the remaining unexpired portion of the subscription if service is unsatisfactory.

Subscribers: Please address all correspondence, change of address notices, and subscription orders to Fulfillment Manager, *Business Week*, 330 West 42nd Street, New York 36, N.Y. Change of address notices should be sent promptly; provide old as well as new address; include postal zone number if any. If possible, attach address label from recent issue. Copies of publications are addressed one to two issues in advance; therefore please allow one month for change of address to become effective.

Postmaster: Please send Form 3579 to Fulfillment Manager, *Business Week*, 330 W. 42nd St., N.Y. 36, N.Y.

READERS REPORT

Piling up praise

Dear Sir:

Your cover article on Arthur F. Burns, "Piling up economic evidence" [BW Jul.22'61,p58], truly reflects the greatness that his Columbia University graduate students have witnessed. The large number of enthusiastic students in his class in Business Cycles second year selection of Dr. Burns as one of our most widely known and influential economists since Keynes.

This year in our class discussions of "stagnationism" as presented by Alvin Hansen and now the present Council of Economic Advisers, Dr. Burns made some sage comments. "If man could put his ear to the chest of an economist, he'd first hear the heart beat of a politician." If this is true, perhaps if we come armed with stethoscopes and the National Bureau of Economic Research, we'll be better armed to deal with our economy and its fluctuations.

Bruce B. Steinmann

Columbia University

New York, N. Y.

In-group vs. out-group

Dear Sir:

Hurrah! The answer to the consumer research man's dilemma has at last been found—"dynamic research" [BW Jul.22'61,p68].

While *Business Week* is to be commended for its essentially objective report on so-called "dynamic" group research, I cannot resist offering several observations: 1. Group research is by no means a new development; it has long been part of the research man's arsenal. Research methods follow a disturbing pattern of usage altogether too similar to the fashion cycle, and group research is currently "in." Let us not forget that proper marketing research occurs when techniques are matched to tasks, not when one approach is slavishly adhered to.

2. It is reported that devotees of dynamic research claim they could have prevented the Edsel fiasco. Those familiar with the history of the Edsel, however, could hardly accept the supposition that failure can be attributed to any one cause, let alone marketing research. . . .

3. ORC observes that many companies are willing to accept hypotheses dredged up by dynamic research as guides to policy. The

CHAMBERSBURG

NOW!

AUTOMATIC FORGING IN JOBGING LOT QUANTITIES

Made possible by the

MODEL "C" IMPACTER with a program-controlled Feed Device

A "BREAKTHROUGH" IN THE MECHANIZATION OF THE DROP FORGING PROCESS

Write for new bulletin No. 110-L-1 "Chambersburg Cocomatic Process for the Jobbing-Type Production of Drop Forgings"

CHAMBERSBURG ENGINEERING COMPANY • CHAMBERSBURG, PA.

MEMO TO INDUSTRIALISTS RE: *NORTH CAROLINA*

Do you want to combine good living with future expansion sites? Are you thinking of retirement soon? Either way you'll want your copy of this pocket size book, full of pictures and facts about productive and beautiful North Carolina. Sections about people, climate, recreation (over 100 golf courses open the year-round), cultural activities, hunting and fishing. Helps you plan a double-purpose vacation: enjoy a delightful vacation state, explore it as a site for industry or a place to live. Mail coupon now.



FREE

Department of Conservation and Development
Room L-24, Raleigh, North Carolina

Please send free copy of "LIVING" to

Name _____ Please print name and address

Street _____

City _____ State _____

Complete and Mail

dark ages have returned! This type of blind reliance on unverified hunches has given motivation research a substantial black eye. . . .

I am by no means opposed to group research. Indeed, we should welcome new applications and modifications of research methods. What we cannot welcome is the "bandwagon" use of any technique as the panacea for all problems.

James F. Engel, Ph.D.
Assistant Professor of Marketing
University of Michigan
Ann Arbor, Mich.

Divide and conquer

Dear Sir:

In your article "Private utilities brace for a fight" [BW Jul. 8 '61, p 32], you state that socialized (public) power "might lure big industrial plants away from private utilities."

Sorry to say this could take place. However, it seems to me that any business or industry that builds or locates in areas served by socialized (public) power or allows itself to be annexed into such an area is a traitor to the free enterprise system. . . .

Every business in the United States should be fighting this attempt at nationalization of the tax-paying electric power industry. So far, "Divide and Conquer" is certainly being used successfully by the socialists and Communists.

W. C. Jones

Rialto, Calif.

Eyes right

If my eyes do not deceive me, you have mixed up the pictures and the names of the new president and executive vice-president of General Electric Co. on page 34 of the Aug. 5 issue. Right?

John Sevison

New York, N. Y.

■ Right. The pictures were reversed in the early part of the press run. But they were put in the proper order (below) as soon as an alert eye discovered it.



Phillippe



LaPierre

Business outlook

BW

August 12, 1961

Autumn upturn is in the air

Put your ear to the ground these days and you can hear rumblings of an autumn upturn. It's beginning to surface in the weekly indicators.

These murmurs echo the current performance of steel, carloadings, raw materials prices, paperboard, electric power and, of course, Wall Street. The message, right across the board, is hopeful.

In short, the dog days are just about over.

Defense orders and auto output to bolster steel

Steel production now is edging up out of its midsummer trough.

Last week's rise from 1,818,000 to 1,850,000 tons, though not large, probably is the beginning of a sustained upswing. And the rate of rise should increase substantially in September and October.

Steelmakers report some firming up in bookings from machinery and appliance manufacturers, structural steel users, and export markets. Orders from these sources are expected to gradually lift steel production until automotive demand picks up in a few weeks.

August steel output doubtless will pull slightly ahead of July; but there's little chance that it will match May's pace (the best so far this year).

Come September, however, the mills should be humming. From there on, the build-up will work up a full head of steam that will carry it through next spring.

Public spending now joins general recovery as a vital force in steel industry planning.

Observers expect defense orders, now merely a trickle, to swell to a flood during the fourth quarter as ordnance, aircraft, and missile manufacturers get going on new contracts.

About half of the \$3½-billion in additional funds authorized by Congress last week will be spent on arms and equipment [BW Aug. 5 '61, p23]. That translates into a mighty big heap of steel products.

Big improvement likely for autos

It's to Detroit that the steel industry looks, all the while, for its strongest support in the months ahead.

Auto production, now at low ebb for the model changeover, will depend on the success of the wage negotiations as these get down to the hammer-and-tongs stage.

Barring a strike, however, the final four months of the year could roll up a pretty impressive total. No soundings at this stage can tell you what will be happening in November and December, of course. But the four months quite conceivably could run to 2¼-million cars.

This probably would result in a dealer inventory next Jan. 1 of 800,000 to 850,000 cars, substantially less than a year earlier.

Nothing that happens to auto production now can redeem calendar 1961 as a production year; not after those dreary early months.

But production of 2¼-million cars in the last four months would top the same period last year (which was impressive in its own rights) by something like 50,000.

The year's output, then, would come to about 5,550,000. That would be off from 6.7-million in 1960 and just a shade under 1959.

Business outlook Continued

Consumers show new confidence in borrowing

Fall auto sales will, of course, depend on the mood of the public.

Right now there seems to be little cause for concern over war-scare buying. But don't discount that possibility if tensions increase in the next few months.

Meanwhile, the consumer seems to be getting a little less cautious about committing future earnings to finance purchases.

At mid-year, consumer debt outstanding had mounted to \$54.8-billion—the second-highest reading on record. (December, 1960, holds the top spot with \$56-billion.)

Most indicative of all, the net addition to installment accounts was \$100-million (seasonally adjusted)—the only real rise in seven months.

Auto credit, which accounts for about half of installment debt, was still being paid down faster than new obligations were being added. But the gap has narrowed appreciably in recent months.

Back in February, when car sales were scraping bottom, consumers paid off a new \$173-million on auto loans (after allowance for seasonal fluctuations). By the end of June, however, new loans were only \$39-million behind repayments. And credit sales had risen to 59% of new passenger cars sold at retail—up from only 54% last March.

The fact is, though, that car buying is relatively little on credit now.

Paper, textiles out of doldrums

Two industries that carry scars from the late recession—textiles and paperboard—lately have the “feel” of a comeback in the making.

Price increases on individual finished textile products have been popping up over the last couple of weeks (Cannon Mills announced a 3% markup on white towels this week, hinted another might come by yearend).

And now the strength has infected that bellwether item that the trade calls 80 squares—the gray goods regarded as a sort of barometer. These have been dragging at 17½¢ for months; now they're quoted at 18¢ for immediate delivery.

Paperboard production, that dependable indicator of trade expectations, has been moving up steadily for the past four weeks.

Last week it caught up with and passed the year ago level (though, admittedly, last year it was starting on a downtrend).

Still, the sustained increase is a healthy sign that packaging producers are raising their sights for the near future.

Moreover, prices of corrugated paperboard have advanced, a symptom that overcapacity and pricing difficulties are lessening.

Zinc smelters reduce stocks

Zinc shipments in July, as in each of the preceding three months, were well ahead of the depressed levels of a year ago.

More important than that, however, the four-month period has shown steady though modest progress in reducing overhanging smelter stocks. These supplies showed declines in each month, dropping from 223,000 in March to 207,000 at the end of July.

This reverses the position in the first quarter when production was maintained at a fairly high level, substantially exceeding shipments.

July shipments totaled nearly 71,000 tons—fairly satisfactory for the month in which most metalworking plants are down for vacations.

Contents copyrighted under the general copyright on the Aug. 12, 1961, issue—Business Week, 330 W. 42nd St., New York, N. Y.

The Russians put

Man in space for a day

**Latest earth-orbiting feat dispels doubts about Soviet space capabilities and lead in race to the moon.
U.S. concentrates on long-term effort to catch up**

Last Monday, after a 24-hour earth-orbiting flight during which he ate, slept, and broadcast greetings, Maj. Gherman Titov stepped calmly back on Soviet soil (picture, right). By mid-week, as Western political leaders and scientists appraised the flight, it was becoming clear that:

- The Russians unquestionably have the scientific capacity for putting a man in space over a prolonged period of time and for bringing him back safely.

- The problems of weightlessness and of man's physical and psychological ability to sustain space flight in orbits close to the earth are negligible.

- The Russians—for the present—hold a sizable lead over the U. S. in the race to put a man on the moon's surface. Even with a budget of \$1.67-billion in fiscal 1962, we have very little chance of catching up with the Russians in boosting big payloads into space, until 1966 or 1967.

Doubts gone. Washington and the scientific community took the news of the latest Soviet triumph calmly. Few of those closely connected with space technology developments had doubted that the Russians possessed the fire power to shoot a five-ton space capsule into earth orbit any time they chose. In a steady series of firings, Russian scientists had proved that they had the navigational and control devices for such a flight. The single loop around the earth made by Maj. Yuri Gagarin last Apr. 12 [BW Apr. 15 '61, p. 25] demonstrated that they had a capsule large and sophisticated enough to support life during a 24-hour flight in the near reaches of space.

Gagarin's flight also showed that, like the U. S., the Russians have been

working to perfect their technology in solid as well as liquid fuels. They used small solid-fuel retro-rockets to slow down Gagarin's Vostok I space capsule so that it could safely make a parachute landing. They employed the same system to bring Titov's Vostok II from an orbital speed of 17,750 mph., to a safe landing last weekend.

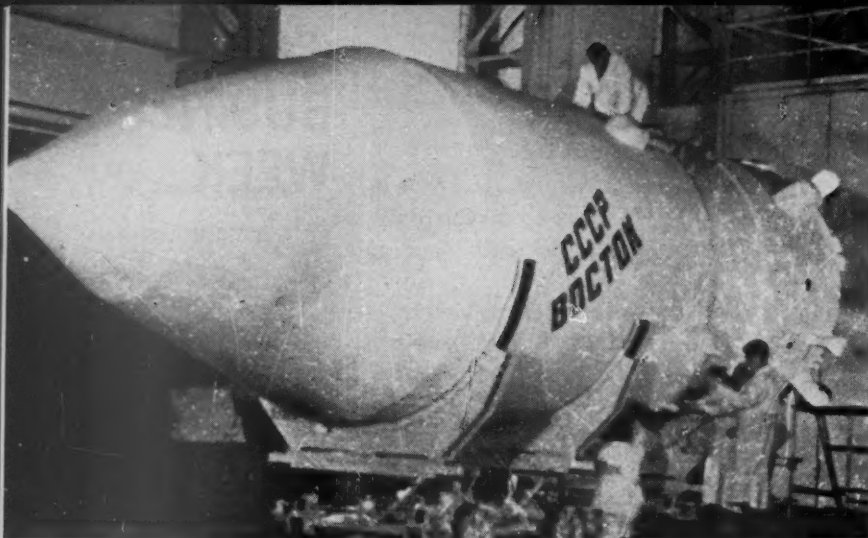
Looking to the moon. Last weekend's flight demonstrated that the Russians have scored a major advance in their research on the human aspects of space travel. They have created a safe, habitable environment for their astronauts. Soviet scientists report that Vostok II carried enough air, food, and water to support a man for 10 days in space. They say that their next shot, planned for sometime before the meeting of the Communist Party Congress on Oct. 17, will put a man into earth orbit for up to seven days—about the time believed necessary for a manned reconnaissance flight to the moon and back.

Soviet scientists are jubilant over Titov's flight, but they are not making any predictions about landing a man on the moon yet. That, apparently, is still some time off—perhaps as far off as 1966. According to Nikolai Varvanov, a prominent Russian space authority, to put a man on the moon would require a first-stage rocket booster that can handle a payload 300 times greater than that of the capsule needed to return an astronaut to earth. The Russian's don't have a booster that powerful—yet.

Slow schedule. The Russian approach to putting a man on the moon will be slow and deliberate. First—by Varvanov's schedule—they will



Maj. Titov is Russia's new space hero



Capsule used by Russians for space flights is large enough to carry full load of instruments and supplies to keep astronauts aloft for an extended period.

establish artificial moon satellites—spaceships that will maintain radio and television communication with the earth. Then they will land rockets with scientific instruments on the moon. Later, they will attempt to land a spaceship on the moon—but with no man aboard—and bring it back to earth using automatic controls.

At this point, the Russians will start working with spaceships carrying men. First flights will simply orbit the moon. Finally, though, will come the first landing of a man on the moon.

NASA's program. This program is generally similar to the National Aeronautics & Space Administration's own schedule for manned space flights. Despite mounting pressure for speed, NASA has stuck to its belief that our only hope for winning the race to the moon lies in a slow, step-by-step development program.

There's good reason to believe, however, that Titov's flight may contribute to a speedup in the U.S. space program by inducing NASA officials to skip a third Mercury sub-orbital shot—an idea they had been toying with, anyhow. This shot had been planned to gain more information on the effect of weightlessness on human space travelers and to check on the reliability of life support equipment. The fact that Titov returned to earth without any apparent ill effects makes another U.S. sub-orbital try much less necessary.

Leapfrogging. NASA, officially, says it hasn't yet decided whether to cancel its third manned sub-orbital flight and move ahead to a series of flights using a Mercury capsule and an Atlas rocket. With the Atlas (sub-orbital flights use the smaller Redstone) the U.S. might be able

to put an astronaut into orbit around the earth perhaps by yearend. If the decision is made, it could mean substantial saving in time and money.

Limits on Mercury. Even if the U. S. should be able to accelerate the Atlas firing tests, it still has no immediate hope of matching Titov's twenty-four hour trip around the world. That probably cannot happen until sometime in the mid-1960s.

One difficulty lies in the limitation designed into the Mercury capsule. It's simply too small (weighing only about one ton) to provide enough air and support equipment to keep a passenger aloft for twenty-four hours. So, scientists believe that the longest safe flight in a Mercury could be no more than three orbits around the earth—about a four and one-half hour flight.

Although bigger boosters are being developed, such as the mighty Saturn I (right), NASA scientists reason that there's little point in redesigning the Mercury now. They feel it will be much more profitable over the long run to put real muscle behind Apollo (the three-man spacecraft on which industry is now preparing bids) and try to get it tested and ready as quickly as possible.

Looking to 1966. If Apollo can be made ready for space trips by 1966 and Saturn III (or possibly Nova or a giant solid-fueled first-stage booster) can be developed to launch it, the U. S. will have a package with which to compete with the Russians in manned space flights.

Unmanned space exploration—at least as far as Mars and Venus—is already within the U. S.' capacity. To go to exploration with manned space vehicles may cost as much as \$30-billion. But it can be done—perhaps within the next five years.

Slow start for Saturn

First leg of journey to space

Despite jam at dam, giant rocket starts for Cape Canaveral on a Navy barge

One of the rare scenes of the space age was enacted last weekend at Huntsville, Ala., as the nation's first Saturn rocket booster was started on a 2,200-mi. barge ride to Cape Canaveral (pictures).

The Saturn C-I booster is America's hope for matching the Russians by putting a man into orbit around the earth for 24 hours; it is now due off the production line in 1963. If it lives up to its design, the C-I's 1½-million-lb. first-stage thrust will also drive it out of the earth's atmosphere at 25,000 mph.; someday one of its successors may aim for the moon. But it left the factory in ignominious fashion.

Right now, the C-I is just a deckload on a slow barge to Canaveral. It is creeping down the Tennessee-Ohio-Mississippi river system at 2 or 3 mph. and its first few miles were fraught with obstacles.

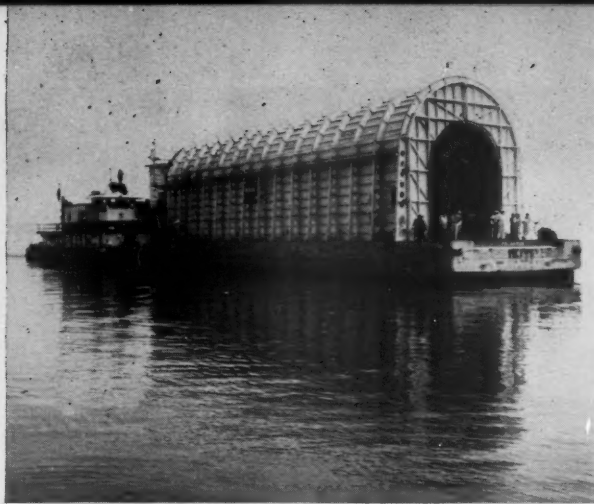
Jam at dam. The giant first stage of the rocket was assembled at the George C. Marshall Space Center in Huntsville. It weighs 42½ tons. Lying down, it's 82 ft. long and 21 ft. in diameter—too big to travel to the Canaveral launching pad by highway, rail, or air. Yet its cluster of eight Rocketdyne H-1 engines couldn't be taken apart and transported separately without great loss of time and effort.

Unlike the man who built the cruiser in his basement, the National Aeronautics & Space Administration had anticipated the delivery problem. It had spent \$370,000 to build the Palaemon (named after a Greek sea god), a flat-bottomed covered barge to carry Saturn down the chain of rivers. The transport system worked fine on trial runs.

Then on the night of June 2, the plug seemed to have been pulled out from the planning: The only lock in



Shrouded Saturn, wrapped in white nylon lashed with Dacron ropes, waits in Huntsville hangar on its eight-wheeled carriage for midnight 6-mi. ride to the Palaemon.



NASA's ark, the Palaemon, noses toward temporary wharf at Wheeler Dam at 9:15 a.m., after six-hour sail down the Tennessee River, pushed by tug. Saturn was then unloaded.

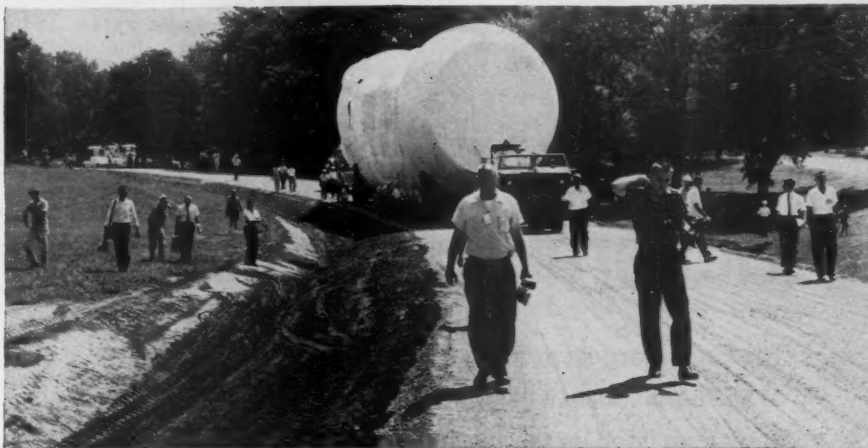
Wheeler Dam, down the Tennessee River from Huntsville, caved in. The accident bottled the Palaemon up at Huntsville—and disrupted an annual 3.2-million tons of commercial freight through the lock. It may take a year or 18 months to reopen the lock.

But to the U.S. space program, the emergency was immediate. NASA engineers had to plan all over again, and quickly, if Saturn was to meet its schedule for the first sub-orbital test flights at Canaveral. A number of ideas were suggested and rejected. Then, a complicated, but seemingly practical plan was formed. Engineers would work out a portage around the jammed dam, with a substitute barge to take the booster on its way. The Navy provided the barge *Compromise*; a makeshift wharf was thrown up on each side of the dam, and the Tennessee Valley Authority built a short road between them.

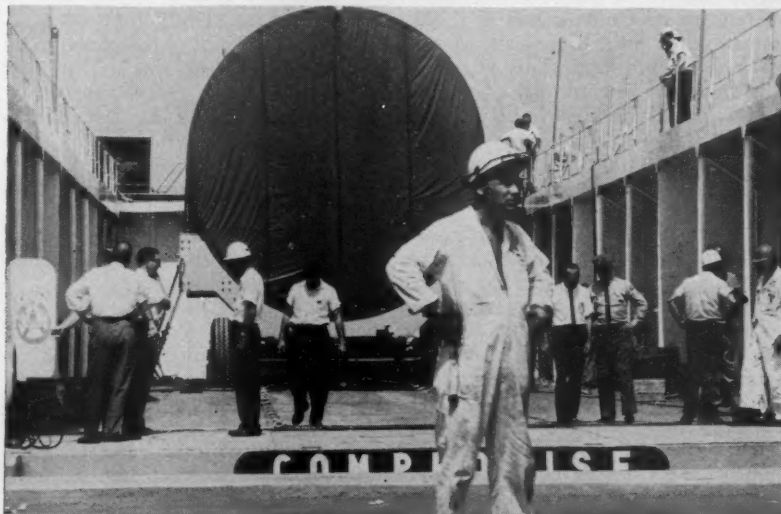
All right, so far. In the wee hours of last Saturday (pictures), the rocket passed its first hurdle on the way to its specially built \$14-million launch site at Canaveral. But before it reaches the Cape on Aug. 18 or 19, it must face hazards of the deep.

From the mouth of the Mississippi to the canal across Florida, the route may strike straight across the Gulf of Mexico, or weather may dictate using the longer but sheltered Intra-coastal Waterway as much as possible. Some exposure to waves in the Gulf will be necessary, however, and NASA has its fingers crossed.

According to Karl L. Heimburg, director of the NASA Flight Control Test Div., the *Compromise* has a higher center of gravity than the specially designed *Palaemon*, which is landlocked, "and we just don't know how it will react when we hit the choppy waters of the Gulf."



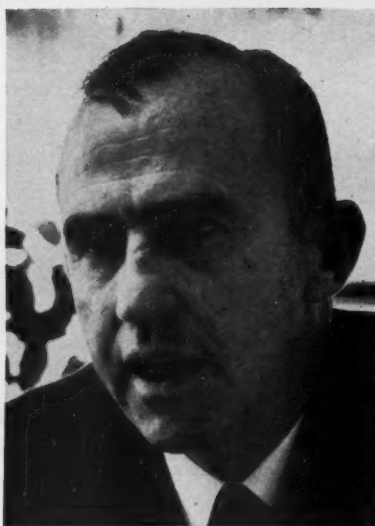
Again pulled by truck tractor, Saturn booster follows portage road around the dam, with an escort of photographers and reporters. To be sure crowds wouldn't collect along the way, NASA swore newsmen to secrecy until portage was over.



Saturn on its dolly is safe aboard the modified Navy barge *Compromise*, after its 55-min. portage. Tug is now bringing the *Compromise* down the Tennessee, a short stretch of the Ohio, and the Mississippi to cross the Gulf to Florida.



Henry Crown heads new executive committee to guide top management.



Frank Pace, Jr., GD board chairman, reports further drain on profits.

Jet losses jar General Dynamics

The U. S.'s largest defense contractor reports losses of \$338-million on its commercial jet program. It is shaking itself up to find solutions to the problem

General Dynamics Corp., the nation's biggest defense contractor, reported last week that pre-tax losses to date on its Convair 880 and 990 commercial jet transports have reached \$338-million. This is probably the most red ink any company has ever had to absorb on a new product.

This gigantic drain has had far-reaching effects on General Dynamics:

- A new five-man executive committee to guide top management was announced by the board last week with Henry Crown, the largest stockholder, as chairman. While Crown won't involve himself in day-to-day decisions, he'll probably get involved in all major policy questions.

- Personnel changes have been hectic. Within the last several months, the Convair Div. was reorganized into four new divisions and the top two executives resigned.

- Company profits started sliding four years ago, dropped to nothing last year when General Dynamics

lost \$27-million on sales of almost \$2-billion. In the first half of 1961, the company had a record loss of \$40-million on \$1-billion of sales.

- The latest part of the commercial jet losses—\$117-million in the first six months of this year—was not expected as recently as last March when the 1960 annual report estimated that all losses had been written off. Engineering difficulties with the Convair 990 added costs, however, and delayed the plane's initial delivery date from midyear to October or November.

The total \$338-million that has been written off so far includes all losses that the company thinks it can identify and estimate with reasonable accuracy even though some of the actual cash won't be paid out until 1962. But Frank Pace, Jr., General Dynamics chairman, admits "there will be further excess costs."

Motive. General Dynamics went into jet transports in the first place because it wanted to increase its commercial business and gain a

higher return on sales than it was getting on military contracts. About 80% of the company's business is in such military hardware as atomic submarines, B-58 Hustler bombers, F-106 fighters, Atlas missiles, and electronic gear. The company is also a major commercial producer of compressed gases, telephone equipment, and building materials.

About a year ago, Pres. Earl Johnson said that the goal was about one-third commercial business to two-thirds military. But the commercial sales were expected to produce half the profits. And since the jet transports were never expected to account for more than 5% to 10% of the company's sales, this points up the enormity of the losses compared to the possible gains.

Bad start. The commercial jet transport program ran into difficulties from the start. In 1955 when the airlines were making initial orders for jets GD's Convair Div. was leery about its chances in the market. But as Boeing and Douglas got orders for their 707 and DC-8 respectively, Convair decided to go ahead and build a "middle-range" transport.

Several airlines, particularly TWA, encouraged Dynamics with some orders. But the company had gotten into the race a little too late, and the bulk of the first-round jet orders went to Douglas and Boeing. Second-round orders were lower than expected because the jets proved able to handle more passenger-miles per plane than anyone thought possible.

Convair Div. announced its "Sky-lark 600" jet in April, 1956, and said it would cost \$3.3-million. Soon after, it took orders on the 880—"a medium-range aircraft with long-range capabilities." However, the costs on both planes went higher than the \$200-million expected investment, and the selling price on each mounted. The 600 was renamed the 990, redesigned bigger, and assigned a price tag of about \$5-million.

But the company ran into debugging costs considerably higher than expected—especially on the 990. The main problem was a slight wing flutter. To fix it, the engineers redesigned the wing struts and changed the placement of two engines.

So far Convair has delivered 37 880's out of a total order of 116 for the two planes. The first 990 will go to American Airlines this fall.

Crown's grip. General Dynamics' growing losses have tended to increase the influence of Henry Crown on company management. He joined the General Dynamics board when the company bought his Chicago-based building materials company, Material Service Corp., in 1959 for

2-million shares of convertible preferred stock. General Dynamics here again was out to gain commercial business with higher profit margins than military contracts—the Material Service Div. reportedly brings in a profit of \$14-million to \$20-million a year.

The merger has been a very good deal for Crown even though he has watched General Dynamics common stock tumble from about \$65 in 1959 to around \$35 last week. Under the terms of the original merger, Dynamics has had to buy back 400,000 shares at \$66 a share.

And if the common stock price doesn't improve enough for him to convert, the company must begin retiring the stock in 1967 at \$58 per share.

Another section of the merger agreement gives Crown the right to vote his preferred stock as common if the company fails to earn \$8 a share, before taxes, for two years in a row—for 1959 and 1960, however, earnings were to be figured before jet transport write-offs. Crown may have these voting rights by the end of 1962, and if so his holdings are large enough to give him working control of the company.

Crown says this about current management: "I have the utmost confidence, and I am sure this is true of the others [directors], in the integrity and veracity of Pace and Johnson." General Dynamics executives who have been watching corporate reorganizations and resignations all year are bracing for another round.

Reorganizing. General Dynamics' huge jet transport losses have already had a widespread effect on the company. In March, after it became apparent that further losses would be added to the \$167-million jet transport write-offs of 1960, Convair Pres. J. V. Naish resigned because of "irreconcilable differences in management philosophy."

In May, General Dynamics also decided to move its operational headquarters from New York to San Diego. The idea was to cut costs and put top corporate supervision near major operations.

Finally, in June, the directors decided to omit the second-quarter dividend to "conserve capital funds."

The picture isn't all gloom, however. The company reports a backlog of more than \$2-billion in orders. One director estimates that, if you eliminate the jet transport costs, General Dynamics will earn \$80-million before taxes this year. On a percentage of sales basis, this is about the average of other top defense contractors.

TWA names Hughes in \$115-million suit

Trans World Airlines charges that Howard Hughes—its biggest stockholder—cost the company millions through delays in getting jets into service

After years of obeying the erratic whims of Howard R. Hughes, its controlling stockholder, Trans World Airlines, Inc., lashed out at him in a \$115-million antitrust suit.

In a complaint filed in U. S. District Court at New York, TWA charged that Hughes had caused delays in the buying of jets, arranging financing, and selling obsolete piston equipment—delays that had cost TWA \$35-million.

TWA said that Hughes and his wholly owned Hughes Tool Co., which owns 78% of TWA stock, have violated the Sherman and Clayton Acts by their control over TWA's equipment purchasing program. For years, Hughes Tool (Toolco) has bought aircraft that it leased or resold to TWA on an exclusive basis.

Damages. The airline asked for triple damages, plus \$10-million additional compensation. Furthermore, it asked that Hughes, Toolco, and its chief operating officer, Raymond M. Holiday, divest themselves "of all right, title, or interest" in TWA. Also, it asked the court to enjoin permanently the defendants from attempting to exercise control over TWA, from threatening suit against the airline or its management and directors, and from acquiring TWA's stock.

Paradox. The plight of a controlling shareholder of a corporation being sued by his own company may seem paradoxical. But Hughes gave up the voting rights to his TWA stock in a complicated financial deal last December. To finance over \$300-million worth of jets, Hughes obtained \$165-million from banks and insurance companies.

The lenders' price was high. Hughes had to put his stock in a voting trust with two trustees approved by lending institutions and one by Toolco. The majority trustees are Ernest Breech and Irving Olds; Toolco's representative is Holliday.

Too many jets. Although the 38-page complaint goes back to 1939 in an attempt to demonstrate a pattern

of allegedly illegal acts, its key section almost certainly concerns the present and future.

Besides the 20 Convair and 27 Boeing jets that TWA is now flying, Toolco has ordered another 17 Convairs, obviously for TWA's use. But TWA's new board, established after Toolco's 78% block was put in voting trust, turned these down and ordered 26 Boeings instead. This leaves Hughes with \$75-million worth of apparently unwanted planes.

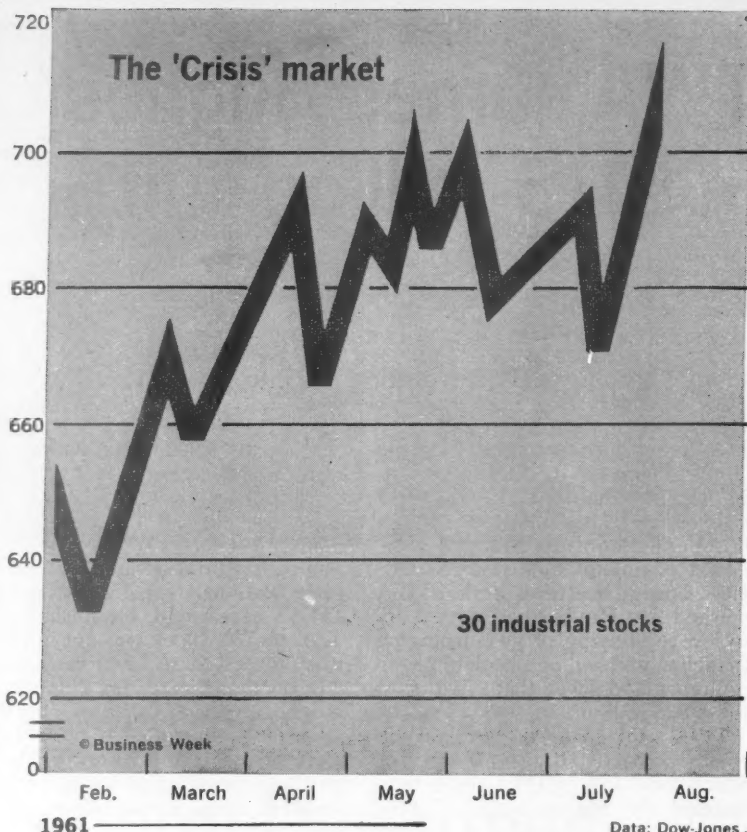
To finance the Boeings, the board has been negotiating for \$30-million in short-term, and \$147-million in long-term debt. TWA insists that these negotiations are being impaired by Hughes' alleged warnings to prospective lenders that the voting trust is invalid. One major lender, TWA says, has already withdrawn from the prospective financing.

In a letter to TWA and to the Securities & Exchange Commission last May, Toolco's general counsel raised the question "whether TWA is obligated to purchase" the Convair planes. The carrier also claims it is handicapped in ordering other planes.

The attorney also notified TWA that Toolco was contemplating legal action against "(A) the lending institutions controlling TWA, (B) the majority voting trustees, and (C) the individual directors controlled by the majority voting trustees." It also was investigating the possibility of blocking the Boeing purchase through an injunction.

More trouble. Atlas Corp., a holding company, is named as co-conspirator though not a defendant. Hughes personally owns 11% of Atlas, which, in turn, owns 58% of Northeast Airlines, Inc.

A year ago, TWA and Northeast were discussing merger. Now, TWA says in its complaint that "defendants and Atlas . . . demanded that TWA accept the proposed merger with Northeast" under terms that would have benefited Hughes and Atlas.



Stock prices soar

The bull market rises on defense orders

This time Wall Street is responding to Washington's defense buildup. Investors are buying blue chips and shares that benefit from military spending

Stock prices rose to record heights this week (chart), and Wall Street seemed convinced that even higher prices were in prospect.

More fundamentally, though, it became apparent that this is a new kind of market. It is not the old bull market or the Kennedy bull market of last winter. It's a rising market closely tuned to Washington and the cold war—a "crisis" market.

The latest surge in stock prices began just about three weeks ago—when Pres. Kennedy announced the fresh stepup in defense spending. Since then, the Dow-Jones industrial

index has climbed up over 720, a rise of 5%, and many individual issues have registered much bigger percentage advances.

Second stage. This new rise represents the second stage of the bull market that got going last November. The first stage—the Kennedy bull market—saw the Dow-Jones index rise from its low of 566 to the 710 area, a gain of over 20% in about six months. Then the market receded somewhat, partly because of profit taking.

The second stage differs from the first in a number of ways. In the first

wave of buying, investors concentrated on two distinct stock groups—the defensive issues (food and utilities) and the glamorous growth issues (electronics and leisure-time activities)—that promised to do well in an economic downturn. Buying spread to more cyclical issues only after it became clear that the recession would be mild and short-lived.

Now the emphasis is on stocks that may benefit from increased military spending and on the standard industrial issues that may do well in a boom. This is evident from the way the Dow-Jones index—composed mainly of the standard blue chip issues—has been putting on a better performance than other more comprehensive averages. In essence, investors are betting that a broad business upturn is assured.

Reappraisal of Kennedy. But investors are also somewhat more nervous about the Kennedy Administration. In the first stage of the boom, Wall Street welcomed the new look in Washington. Brokers—and their customers—felt that Kennedy would provide much more active and responsive leadership, moving quickly to stimulate flagging business activity, and displaying a more positive hand in foreign affairs.

Investors are now taking a different view. Although the recovery of economic activity is obvious, Wall Street feels that it will be accompanied by a new burst of inflation. And the Administration's fumbling of the Cuban situation, followed by the eruption of the Berlin question, has also had an effect on investors. They think that we are in for a period of crises, which could mean still further increases in government spending. So the current rise can be more accurately labeled a crisis market than a Kennedy market.

Inflation fears. This appears clear from the performance of the market immediately before Kennedy's Berlin speech. Investors had known for some time that the Administration would be increasing its defense spending. But this did not lead to any advance buying, for Wall Street had feared that Kennedy would call for sacrifices in the form of higher taxes. When he failed to ask for a tax hike, investors rushed in to buy, apparently convinced that inflation was inevitable.

The rise in stock prices to record peaks has been accompanied by a sharp drop in bond prices—another sign that Wall Street sees inflation ahead. Bond prices—and yields—have moved in a comparatively narrow range since the beginning of the year, partly because of the Federal Reserve's adroitness in carrying

out its easy money policy, partly because of the feeling that a high level of unemployment and the existence of excess capacity meant that there would be no early pressure on either wages or prices.

But although there's little evidence of any inflationary pressure building up, investors are convinced that it is just around the corner. So they are returning to the familiar blue chips that have done well in past periods of inflation but whose profits suffered during the last year or two. And they are losing their interest in some of the glamor issues, which are selling at much higher price-earnings ratios and which may not show so fast a rate of earnings growth over the short term.

Selective buying. There's a good deal of selectivity in stock purchases—and again, Washington has an influence. For example, investors are staying away from stocks that are facing antitrust action by the Justice Dept.

At present levels, investors are discounting a big increase in corporate earnings. But most analysts think that prices will go even higher—to at least a 750 level on the Dow-Jones this year and 850 in 1962. One explains: "If business continues to improve, profits have to go higher. But investors are not only thinking of profits. They've learned that stocks are an inflation hedge, and they see inflation ahead."

Analysts expect more switching out of fixed income obligations and into common stocks as heightened demand for credit brings a tightening of money. At some point, of course, the spread between stock and bond yields will bring a reverse switch as it did in early 1960. But Wall Street does not expect the current fashion for equities to fade out for some time.

Speculation threat. So far, there has been comparatively little evidence of the excessive speculation that characterized the first stage of the bull market. True, there has been some pickup in the new issues market, but it is much tamer now than it was earlier this year. For the most part, the emphasis on blue chips is regarded by professionals as a healthy sign.

But if prices continue rising, the chances of excessive speculation also increase. In fact, some analysts think that investors are already tending to overvalue defense stocks, pointing out that the Pentagon is spreading out its spending over a good many items, and is putting a great deal of it into the manpower area, which will have little impact on corporate volume or profits.



Lee Loevinger presses Justice Dept.'s crusade against monopolies in big business

Antitrust boss takes new swipe at AT&T

Loevinger's threat to divest giant utility of its international operations may be a clue to new Administration's plans for enforcing antitrust laws

Lee Loevinger, the government's antitrust chief, last week took another swipe at what appears to be his favorite industrial target: American Telephone & Telegraph Co.

Loevinger told a Senate subcommittee that the Justice Dept. is considering the possibility of moving to strip AT&T of its international operations. He later "clarified" this statement to reporters, explaining that no final decision had been made along these lines. For the stock market, at least, his clarification came too late. AT&T closed at \$121 on the New York Stock Exchange, off \$4.62 for the day. (By midweek it had recovered a couple of points.)

It's not the first time Loevinger has expressed interest in the giant utility. In May, a letter from the antitrust

chief became public in which he said the Justice Dept. was conducting an inquiry into AT&T's operations in response to complaints about its activities. And in June, testifying before a House subcommittee, he said that Justice has received a "number of complaints from various parties" charging violations of a 1956 consent decree against AT&T of the antitrust laws. An "active investigation" was under way, Loevinger said.

Running fight. Loevinger's numerous public references to AT&T seem to reflect a continuing concern of the Justice Dept. with the January, 1956, decree that ended an antitrust suit against Western Electric Co., Inc., and its parent, AT&T. Originally, the government had charged that AT&T and Western

Electric conspired to monopolize manufacture and sale of telephone equipment. The aim was to divorce Western Electric from its parent. The final decree forced no essential change in the Western Electric-AT&T relationship, and it dealt mostly with patents and licensing agreements.

Because of dissatisfaction with the decree, there have been continuing efforts by Justice to find a means to circumvent the legal barriers that prevent further antitrust attacks on a former defendant that entered into a consent decree. When Loevinger speaks of investigating AT&T, this is probably what he means.

Reorganization. In terms of broad antitrust policy, Loevinger's repeated references to AT&T may provide a clue to where he will lead the Antitrust Div. in coming years. The division right now is going through a top-level reorganization in which four new assistants to Loevinger are moving into new jobs. There has been considerable turnover among Antitrust lawyers. Loevinger himself, who came to Washington from the Minnesota Supreme Court, is still acclimating himself.

Complicated job. This is not a simple job because an antitrust chief cannot spend all his time deciding which cases investigated by his staff merit court suits and which do not. Loevinger, for example, became embroiled in the squabble over who would control development of the flashy communications satellite program. The Justice Dept. plugged for broad participation including both domestic and international communications companies and equipment makers.

The AT&T case undoubtedly influenced this position: Justice has visions of this plum falling in AT&T's lap. It now appears that development will be mainly in the hands of the 10 international communications companies—80% dominated by AT&T—as originally proposed by the Federal Communications Commission.

Delayed policies. Reorganization of the Antitrust Div., the intramural problems of government, and the complexity of the 500 or so pending antitrust investigations and complaints all tend to stretch out the period of transition between administrations and delay the emergence of an antitrust policy with a clear-cut Democratic stamp on it. Added to this is a lack of excitement about antitrust generally by the Administration and, so far, a minimum of pressure on the trustbusters to undertake the pet projects of influential members of Congress.

As a result, the Loevinger antitrust

record thus far has been distinctly lackluster. A strong consumer note, reflecting a favorite subject of Atty. Gen. Robert Kennedy, runs through the complaints that have been filed—price-fixing charges against bakeries, dairies, building suppliers, house movers. But in terms of economic impact, such suits are piddling. Far and away the most important case filed since the first of the year was an antimerger complaint against two big Philadelphia banks. It was prepared under Republican leadership, but Atty. Gen. Kennedy approved filing of the suit.

First clues. Beyond its role as a consumer price watchdog, the Antitrust Div.'s direction is still largely a matter of speculation, but some signs are beginning to emerge. Speaking at the American Bar Assn. meeting in St. Louis this week, Loevinger drew a distinction between "intrinsically unreasonable" antitrust violations—such as price fixing—and "extrinsically unreasonable" violations that may be illegal only in a special set of circumstances. The first category, he said, must be equally forbidden to all business, big or small. But in examining violations in the second category, "both the relative and the absolute size of the enterprises involved is significant."

"The intention of those who wrote the antitrust laws, the purpose that speaks from the laws themselves, and the spirit in which they have been construed, all combine to make manifest that a principal objective of the laws is to set a limit to the aggrandizement of economic power," Loevinger said.

Deeper probe. This means the Justice Dept. is taking a closer look these days at the segments of the economy that traditionally wield large chunks of economic muscle without an undue amount of competition. It smacks of new concern over the old Sherman Act monopoly provisions. Loevinger's repeated references to AT&T bear this out. So does the Justice Dept.'s continuing inquiry into General Motors Corp. activities.

Loevinger, at a recent Congressional hearing, described a 1952 consent decree that settled a government antitrust complaint against GM and General Motors Acceptance Corp., as "one of the great failures of antitrust." On another front, the government's grand jury probe into GM is continuing. One indictment, against GM's Electro Motive Div. has already been issued. And the government is currently attempting to obtain data about the operation of GM's automaking divisions.

Chaos at the counter

A rash of airline bargains

Discounts proliferate as airlines seek to fill seats in expanding fleets

Chaos is breaking out at the airline industry's ticket counters. The once-simple fare structure is fast becoming a confusion of discounts and bargains (cartoon).

Almost every week some airline files a promotional fare plan with the Civil Aeronautics Board, and the competition usually files a plan to meet it. There's every indication that the muddle is due to get worse before the inevitable reform sets in.

Until it does, the lot of the already harassed reservation clerk is going to get steadily more miserable. What with young people's fares, old people's fares, night tourist rates, day tourist rates, piston fares, jet surcharges, family plans, excursion discounts, and commuter rates, he may need a computer to do his arithmetic.

Trying to fill seats. The reason for the spate of discounts is that the airlines are flying too many empty seats. For years the industry's traffic grew about 10% annually, and the airlines based their orders for equipment on this rate of increase. Lately, however, traffic has leveled off; airlines have lured away just about all the rail passengers they're going to get. Meanwhile, the number of seats in the air continues to soar.

It's going to be hard to fill those empty seats. It won't suffice to steal another airline's passenger, because the other line is stealing one of yours. And to carry at half-fare a customer who is willing to pay the full price is only to increase the industry's deficits, which are growing fast. For the first six months of this year, the domestic trunk airlines as a group showed a net loss of more than \$20-million, in contrast with a net profit of \$29.4-million in the same months as recently as two years ago.

The goal, therefore, is to expand the market without diverting exist-



ing business. There's a wealth of disagreement on how this can best be done.

Coast-to-coast bargain. Next week, for example, the major transcontinental carriers will (the majority with reluctance) put into effect an excursion fare for coast-to-coast travelers.

According to Trans World Airlines, which originated the plan, it will attract vacationers from their automobiles, thanks to the substantial reduction under the standard jet coach fare, but will not divert business travel, because of the restrictions that are built in. Passengers must depart after noon on Monday and before noon on Friday, they cannot return in less than 13 days, and they must return before 30 days.

American Airlines and United Air Lines frankly believe this is a mistake, that transcontinental flights are already well filled and profitable, and that they should not be tampered with. Nevertheless, both had to protect themselves by filing identical fare plans with CAB. Both have asked the board not to approve them, but the O.K. came this week.

Youth fares. In another plan, American seeks to expand the market by going after business from young people. It proposes to carry passengers aged 12 through 21 at half the regular first-class price. The carrier estimates that of all the airline trips taken, only 3% are currently taken by people in this age bracket. Diversion, therefore, would be negligible.

Youths would board planes on a standby basis, though they could buy tickets within three hours of flight time. On jet planes they would get an added break: The usual jet surcharge would not be imposed. Six other airlines have followed

American with similar proposals to CAB.

Golden age. Mohawk Airlines, a local service carrier, is seeking to expand its market at the opposite end of the age scale. It has a fare, already approved, called a "golden age tariff." Men over 65 and women over 62 may obtain a card entitling them to a one-third discount on round-trip tickets for flights starting between midnight and 1 p.m. The card costs \$5. Though the fare has been in effect only one month, Mohawk reports over 500 inquiries.

The carrier reasons that a great many elderly people are at leisure to travel for the first time in their lives, but haven't been able to because of their fixed—and usually low—pensions. Reducing fares for them, therefore, creates a new market and leaves existing business untouched.

Fly as you please. Another plan to achieve this end was filed this week by Bonanza Air Lines, a local service carrier operating in Arizona, California, Nevada, and Utah. It proposes to sell tickets good for unlimited travel to customers who live outside the four-state area. A 15-day ticket would cost \$90; a 30-day ticket, \$160.

The airline already has two, reduced-fare, time-restricted excursion plans with discounts of 22% and 38%, plus its own youth plan, which is about to go into effect.

Family plans. Family fares, in which the head of a family travels at the regular rate and the rest get a reduction, are not new. Usually, though, the reductions are made only on first-class tickets and usually only for midweek travel.

Braniff International Airways is now offering a family plan, good for any night, that cuts 50% off the already low night tourist rate for a

wife and children over 12, 75% off for children under 12. This plan is in addition to Braniff's regular family plan, which is good on all flights and types of equipment on Saturdays, Mondays, and Tuesdays only. The regular plan gives a one-third reduction.

Airbus and shuttle. Among the older promotional fare ideas is the Eastern Air Lines airbus. In the airbus, the galley has been removed to allow for more seats. On a typical flight between St. Louis and Miami, the one-way, winter-season airbus fare is \$44, compared with \$62.43 on a regular tourist flight. The attempt is to be competitive with buses and the family auto.

Eastern also has shuttle flights between New York and Boston and between New York and Washington. Using the same type of 95-seat Super Constellations as it does for its airbus flights, the shuttle flights cost \$12 and \$14 respectively, require no advance reservations, and offer no frills.

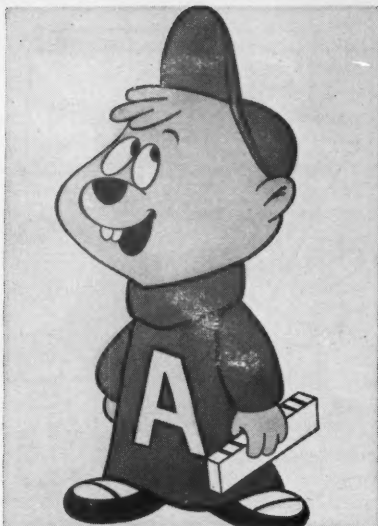
Then there is Allegheny Airlines shuttle service, on which the no-reservation passenger travels on the same plane as the first-class passenger, enjoys the same type of seating and in-flight services, but boards the plane only when space is left over from full-fare loads. The fare is 36% under first class.

Just testing. Many of the promotional fares put forward so far are frankly experimental. American, for example, wants approval for its youth plan to last only six months while it sees whether or not the plan achieves its purpose.

At the end of the experimental period for all schemes, the entire industry hopes that most will disappear and that only the one or two best will survive.



Children's news, educational shows are stressed. Here's lad on NBC's 1-2-3 Go.



Animated cartoons will get more play. Here's Alvin, CBS entry for young, old.



News, public affairs get more time. ABC backs only 11 p.m. network news show.

What TV is offering for fall

There's a definite turn toward quality shows in the wake of criticism by FCC's Minow and others. But the prime evening hours will still be mostly entertainment

In a nutshell, here is what you can expect the three major television networks to be beaming into U.S. homes this fall and winter—at least until the shakedown period, which rarely fails to materialize early.

- A lot more animated cartoon shows.

- Expanded public affairs and news coverage in more or less prime evening time.

- Juvenile news and educational features, also in fairly good viewing hours.

- More hour-long shows and fewer half-hour shows.

- Finally, more of the old—situation comedies, Westerns, quiz shows, and soap operas in the daytime, culture on Sunday.

Obviously in rebuttal to the charges aired so publicly by Chmn. Newton Minow, of the Federal Communications Commission, and even by their own Le Roy Collins, president of the National Assn. of Broadcasters, all the networks agree that a substantial increase in public service and news programming will be one of the chief features of the 1961-62 season, some of it in prime time.

CBS, for example, is increasing its

CBS Reports program to a show in three out of every four weeks Thursday nights from 10 p.m. to 11 p.m. Though that one is largely sustaining, its Eyewitness (they dropped the "to History") is being sponsored by American Cyanamid Co. and Liggett & Myers. During the day, always a bone-dry time for serious programming, CBS plans an as yet unsponsored program called Calendar, a half-hour news feature at 10:30 a.m.

NBC's plans call for a David Brinkley show Wednesdays at 10:30 p.m. and a Frank McGee show 10:30 p.m. Fridays. It has scheduled in 40 documentaries, amounting to two hours every week. These news specials will be sold one by one in single half-hour units (Elgin National Watch Co. has signed up for three pre-Christmas shows to push its gift watches). Gulf Oil Corp. is continuing to pick up the tab for NBC's instant specials. In addition, the du Pont Show of the Week will be largely public affairs coverage.

ABC's public service and news program intentions are backed up by a big boost in James C. Hagerty's news department budget—from \$3½-million to more than \$7-mil-

lion. Bell & Howell will continue to sponsor Closeup, a bellwether in the sponsored public affairs programming.

The trend to quality covers the kids, too. NBC is pretty sure it will get a sponsor for its 6:30 p.m. Sunday show for children called 1-2-3 Go. The format will be a young boy taken to points of interest, such as Cape Canaveral, where he will interview personalities and, by trick camera work, experience such things as flight into space. Besides this type of thing, both NBC and ABC are planning children's news programs, aimed at the very young as well as high school and junior high school students. ABC plans a 10-minute news show for children during the week sometime after 5 p.m. It's betting heavily, too, on Expedition, a Monday night affair for children's edification. It had also planned another high-grade children's show, Discovery, but couldn't get station clearances for it.

Rating, too. What seems to characterize the networks and sponsor interest in public affairs and educational programs for both adults and children is the realization that you can



"Pass the Oil Can, Orville"

Aviation progress—from the faltering flight at Kitty Hawk to the latest continental jet hop—has depended in large part on the fuels and lubricants that bring planes to life.

The 12 horsepower engine that flew Orville and Wilbur Wright into history was no more demanding than a Model-T's motor. But today's more discriminating jet turbines need fuel that tests purer than the milk we drink and lubes that won't fail in the numbing upper air. The years between have been bridged by millions invested in oil laboratories and refineries.

Sinclair Refining Company is proud of its role in aviation progress that dates back to the World War I "Jennies." Today, that company is a major supplier of jet fuel to airlines and the armed forces. *It supplies over 40 per cent of the lubricants used by all major scheduled airlines in the U.S.*

Passing the oil can in the competitive aviation markets calls for resourcefulness in research and manufacturing skill. *Where confidence counts with customers, Sinclair flies high.*

SAE—Sinclair salutes the Society of Automotive Engineers for stimulating the research and the exchange of technical data which has brought constant improvement in self-propelled vehicles, their engines and related products. Through its 25,000 members, the SAE keeps Americans moving safer and faster on land, air and sea. Organized in 1905, it is one of the largest engineering societies in the world.



SINCLAIR OIL CORPORATION • 600 FIFTH AVENUE • NEW YORK 20, N. Y.

get a rating with quality shows. As one advertising agency executive put it: "You don't have to do it with a castor oil point of view." He's putting his advertisers into public affairs shows that have high quality. "If they're good," he says, "they are magnificent for the sponsor. If they are bad, nothing could be worse."

Entertainment. The evening hours are still going to be dominated by entertainment, some of a quality that helped create the furor.

The big trend will be animated cartoons appealing both to adults and children. ABC started it all with the roaring success of the Flintstones. This fall it is adding two more in prime time, Top Cat, with the voice of Arnold Stang, and Calvin and the Colonel, with the voices of Freeman Gosden and Charles Correll, better known as Amos 'n Andy.

CBS has scheduled The Alvin Show (opposite Wagon Train on NBC) with General Foods picking up the tab. General Mills is sponsoring NBC's Bullwinkle, a color cartoon, Sundays at 7 p.m. Eastman Kodak has dropped Ed Sullivan sponsorship, shifting to Walt Disney's Wonderful World of Color for which Disney has created a new cartoon character, Ludwig von Drake, Donald Duck's uncle.

Otherwise, the entertainment fare varies with the network. NBC's evening program is still loaded with Westerns. CBS has cut Westerns to stage more situation comedies, starring Robert Young, Robert Cummings, Gertrude Berg, and Sir Cedric Hardwicke. It also is counting heavily on two full-hour dramas, Investigators and Frontier Circus and the Defenders, a half-hour show—already sold out—about a father and son lawyer team. ABC, which gets the credit or blame for starting the adult Western fad, now is cutting back, dropping Wyatt Earp, Stagecoach West, and The Rebel. Its prize this fall will be the Steve Allen Show, staged also against Wagon Train.

This fall NBC again carries the color-TV ball unaided by the other two nets, despite the fact that other manufacturers have joined RCA in producing color sets. NBC is upping colorcasts—and nabbed Eastman Kodak on the basis that color-TV will help sell color film for Kodak—to 1,600 hours during 1961 and 2,000 hours in 1962, against 1,034 hours in 1960. But CBS and ABC have no color scheduled.

So far most of the networks' shows are sold, although there are gaps and at this late date some price cutting is under way.

Civil defense push

Administration's new program stresses community shelters for 50-million people in existing structures. Once it gets rolling, program could cost billions in years ahead

Over the past decade, civil defense has been drifting aimlessly and fruitlessly. The program has been cramped by inadequate budgets, too much politics at top levels, and indifferent treatment from Congress and the White House.

There also has been public apathy, even opposition, to the general concept of civil defense planning.

Now the Administration is showing a new sense of urgency. Pres. Kennedy pledged a new start on civil defense. He proposed to triple the program's budget this year to a total of \$312-million. He transferred direction from the Office of Civil & Defense Mobilization to the Defense Dept. Once the Defense Dept. reports on what shelter is available, and where centers of civilian protection might be established, new plans conceivably could cost billions in the years ahead.

Lively controversy. Still, argument goes on as to whether civil defense makes sense.

One typically skeptical view comes from Sen. Stephen M. Young (D-Ohio). "The survival of 180-million Americans . . . depends not on futile shelter programs inspired by a caveman complex," he says, "but on solid, workable international agreements to disarm."

This week, arguments in favor of civil defense were spelled out in hearings conducted by a House military operations subcommittee.

Herman Kahn, author of On Thermonuclear War, testified that civil defense is a realistic notion simply because more lives and property can be saved in the horrifying event of an H-bomb attack on the U.S. He said "20-million dead and 10 years for the nation to recuperate are better than 40-million dead and 20 years of recuperation."

Kahn also said that criticizing civil defense because it wouldn't save everyone is like "refusing to go to a doctor for treatment of pneumonia just because he can't cure cancer."

Dr. Charles L. Dunham, Atomic Energy Commission's director of biology and medicine, said that civil defense preparations could mean the

nation's survival in a nuclear war even though millions would die and suffer in the holocaust. He said radiation casualties could be reduced substantially if fallout shelters are prepared in advance.

Administration's plan. The Kennedy Administration's new civil defense plans are based on the premise that the fastest and cheapest way to get nuclear fallout shelter protection for as many as 50-million people is to identify community-type facilities already available in existing public and privately owned buildings, subways, basements, tunnels, mines, and other underground structures.

The next step would be to upgrade ventilation and power facilities in these structures and to stock them with a two-week's supply of food, water, and medical goods.

The Administration's new civil defense plans are modest. The President has asked for only \$207.6-million extra in addition to \$104.2-million sought earlier for OCDM (this week Congress cut the earlier figure to \$86.5-million).

Of this sum, \$93-million is earmarked for the shelter survey, which is to be completed by December, 1962. Army Corps of Engineers and Navy Bureau of Yards & Docks. Regional offices will hire architectural and engineering firms to check the fallout shelter potential of existing buildings.

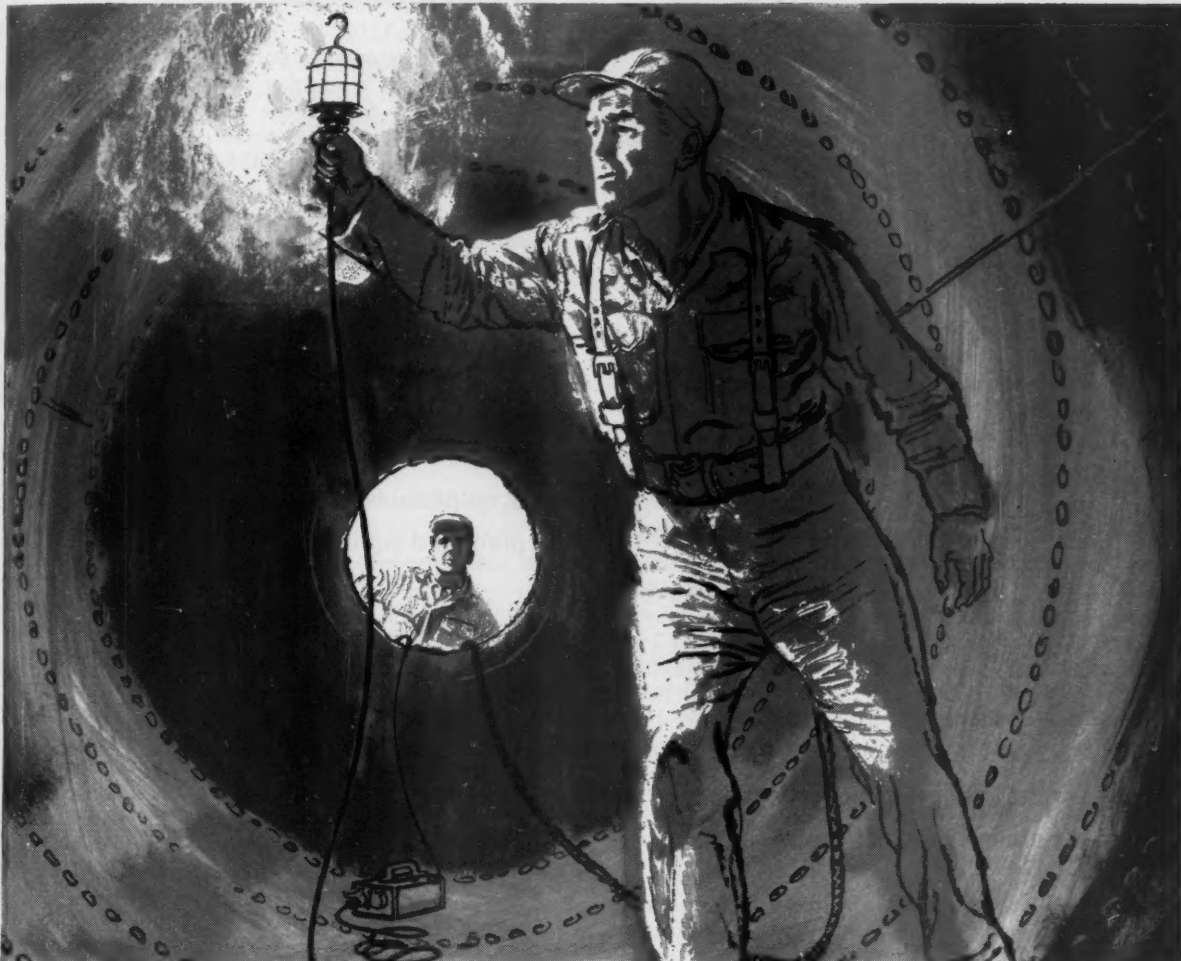
Meantime, a \$10-million program will get under way to test construction techniques for expanding shelter space, reinforcing basements, and installing draft ventilation in existing federal buildings. Another \$7.5-million is set aside to plan and build shelters in new federal buildings.

Of the other funds in the expanded civil defense budget, \$58.8-million will be spent to stockpile first-aid kits, sanitary supplies, debris-removal tools, radiation meter kits, food rations, and other materials.

Funds are also provided for research on shelter construction and on warning and emergency communications systems and procurement of radiological detection apparatus.

PROTECTION IN DEPTH

How it helps cut compensation costs



3 ways to reduce shock hazards in your plant

Electric shocks took the lives of nearly 300 industrial workers last year. Hundreds more were injured in falls and other accidents *caused* by shocks. To minimize these losses Liberty Mutual safety engineers help policyholders take three vital steps to safety: (1) equip and train their employees for work in hazardous areas, (2) eliminate needless exposure to electric contacts, (3) check all electrical equipment for proper grounding.

Electrical safety engineering is but one of the many loss prevention services that are offered as part of Liberty's protection in depth. Also included among Liberty's 400 safety engineers are highly-trained specialists in ma-

terials handling, industrial hygiene, radiation, acoustics and many other important fields.

Liberty's protection in depth places equal emphasis on lessening the impact of injuries that do occur. A medical advisory service, two rehabilitation centers and a staff of rehabilitation nurses based nationwide are ways in which protection in depth helps speed the recovery and return to work of disabled employees.

Last year Liberty's protection in depth helped compensation policyholders save many millions of dollars. To learn how this concept can help lower *your* insurance costs, just contact the nearest Liberty Mutual office.

Look for more from

LIBERTY MUTUAL

the company that stands by you

LIBERTY MUTUAL INSURANCE COMPANY • LIBERTY MUTUAL FIRE INSURANCE COMPANY • HOME OFFICE: BOSTON

Personal Insurance: Automobile, Fire, Inland Marine, Burglary, Homeowners • Business Insurance: Workmen's Compensation, Liability, Group Accident and Health, Fire, Inland Marine, Fleet, Crime



More powerful solid-fueled rocket hailed as it passes first ground test

A 300-ft. pillar of flame over United Technology Corp.'s development center at Morgan Hill, Calif., marked the successful ground test-firing of a conical, segmented solid-propellant rocket with 220,000-lb. thrust [BW Jun.3'61,p42].

The center segment of the rocket, which was fired nose-down, contained nearly 65,000 lb. of fuel in its flight-weight steel casing. Nose and nozzle segments each contained another 5,000 lb. The three sections were put together on the test stand in 15 min.

Pres. Donald L. Putt of UTC, a subsidiary of United Aircraft Corp., hailed the 80-sec. burning time as a major step in development of solid-fueled rockets. UTC considers this the minimum burning time for a space booster; shorter, more explosive burning would dangerously jolt passengers or instruments. For comparison, the first stage of the Minuteman, also solid-fueled, contains 44,000 lb. of propellant, develops 150,000-lb. thrust, and burns about 60 sec.

UTC says the test, conducted for the National Aeronautics & Space Administration, opens the way to production of single segmented rockets with up to 3-million-lb. thrust, and clusters of rockets up to 21-million-lb. In October, UTC plans to test-fire a similar rocket engine designed for 450,000-lb. thrust.

Congress cracks down on advertising as part of defense contract costs

If defense contractors want to advertise, they'll have to pay for it out of profits, not charge the costs off against their federal contracts. At midweek, a Congressional conference committee agreed on language in the appropriations bill concerning this point.

"No part of the funds appropriated herein shall be available for paying the costs of advertising by any defense contractor," says the conference version, "except advertising for which payment is made from profits, and such advertising shall not be considered a part of any defense contract costs."

Three exceptions to the general ban: advertising for recruitment of labor, procurement of scarce materials or equipment, or disposal of scrap or surplus resulting from performance of a defense contract.

Newhouse buys only other big daily, gains near-monopoly in Portland, Ore.

The newspaper world of Portland, Ore., already under strain of a 21-month strike of all union workers at the two major dailies, was shaken further last week when New Yorker Samuel I. Newhouse, owner of one big daily, bought the other. Newhouse has owned the

Oregonian (200,000 daily, 261,000 Sunday) since late 1950. For a price "in excess of \$8-million," he now also owns the Journal (143,000 daily, 162,000 Sunday). Both papers have continued to publish despite the strike.

The Oregonian is morning, the Journal evening. The city's only other daily is the Reporter (55,000 circulation), which grew out of a combined union project early in the strike and became a full-fledged daily six months ago.

The Reporter hopes to bolster its skimpy advertising revenues as a result of the Oregonian-Journal combination under Newhouse, who already owns more than a dozen newspapers, a chain of radio and TV stations, Street & Smith magazine publishers, and interests in other newspapers and magazines, including the Conde Nast group. The Reporter this week launched an anti-monopoly, anti-Newhouse campaign in its columns and on TV and radio.

U. S. companies are spending 20% more on plant and equipment overseas

Capital spending abroad by U.S. companies will be 20% higher this year than last, the Commerce Dept. predicts. Its Office of Business Economics figures that nearly \$4.5-billion will be invested in plant and equipment this year and again next year.

Manufacturers expect to spend a record \$1.8-billion abroad, a rise of 30% from last year. About half is scheduled for Europe, with the highest single outlay in the United Kingdom but a growing share for the Common Market area. Spending in Latin America will rise 50% from last year to a new mark of \$291-million.

Oil companies will also spend about \$1.8-billion on foreign operations, but this is well below the 1957 record of \$2.3-billion.

Business briefs

Secy. Abraham A. Ribicoff of HEW this week warned auto makers he would ask Congress to pass a law unless they agree by yearend to install so-called blow-by devices on all cars as standard equipment. These devices return crankcase gases, which are mostly unburned fuel, to the combustion cycle, reducing air pollution caused by autos by 5% to 15%. The rest, given off by exhaust, is harder to eliminate. The gadgets cost from \$4.25 to \$6.

Texas will get its first general sales tax, the legislature decided this week after eight months of wrangling. A 2% levy was voted over Gov. Price Daniel's opposition, to make up for a decline in yield from the severance tax on oil.

The House again rejected a Senate move to include a \$95-million electric generating plant in funds for the Hanford (Wash.) plutonium reactor. Opponents of public power swung a 235-164 vote against the measure.

Washington outlook **BW**

August 12, 1961

Khrushchev gets cool reaction to latest events

Washington is reacting to the latest Soviet cold war moves coolly and less excitedly than you would have guessed.

Khrushchev's speech this week to the Russian people was dismissed as just what had been expected.

Astronaut Titov's flight didn't arouse even a pale counterpart of the swift reaction that followed Gagarin's pioneering trip into space last April. Then our whole space program was enlarged and pushed ahead.

What's happening now is that officials are settling down to play out the Berlin crisis along the lines already set.

Administration tries in vain to quiet talk of controls

The question of how much inflation is going to result from federal spending gets the cool treatment along with everything else.

Officials dismiss talk of invoking wage, price, or production controls as unjustified. But the speculation keeps cropping up.

Spending this year is rising around \$7-billion, including the Berlin buildup and Pres. Kennedy's domestic program. This much added to a \$500-billion economy that still has excess capacity and idle manpower isn't enough to justify inflation jitters or lead to controls, the official argument goes.

When Kennedy ordered the Berlin buildup, documents, prepared during the Eisenhower Administration as a broad guide to controls in case of a shooting war, began to circulate in Washington. These documents, which nobody had paid much attention to previously, are still stirring up questions and news reports. But they don't apply to a cold war situation.

The hard, detailed plans for controls in case of a shooting war—plan C for small wars and plan D-1 if we are hit by nuclear attack—are classified top secret. These are kept up to date and this work goes on as usual.

New moves by Khrushchev or a sudden rush of consumers to stock up in fear of war would call for a new assessment. For now, the Administration is satisfied.

Samuelson and Burns clash over inflation peril

The argument over inflation and Kennedy's spending plans is embroiling two of the country's most influential economists in a head-on clash of views. The clash has political overtones that are bound to be reflected in next year's Congressional elections.

Arthur F. Burns, first chairman of the Council of Economic Advisers under Eisenhower, and Paul A. Samuelson, the Massachusetts Institute of Technology professor who is Kennedy's closest economic adviser, are the antagonists.

In the August issue of the Morgan Guaranty Survey, Burns warns that the climb in federal expenditures coming on top of a natural recovery lays the groundwork for renewed inflation. Pressures on wages and prices may be building up that could lead the government in the direction of authoritarian control, Burns adds.

In an article appearing in the London Financial Times, Samuelson sees a sharply different outlook. He predicts a 9% rise in gross national product over the next 12 months. But he sees over-all price levels rising by only 1% "or a little more"—a continuance of virtual price stability. He does warn that the cost-push type of inflation could reappear in 1962.

Washington outlook Continued

Where Burns says it will be difficult to avoid a deficit in fiscal 1963, Samuelson expects a surplus. Where Burns repeats a previous forecast that unemployment is likely to be down to 4% by the end of 1962, Samuelson expects it to stick at 5%.

Samuelson was Kennedy's closest economic adviser prior to the inauguration last year and still sits in the inner Kennedy circle. His predictions about business, the budget, inflation, and unemployment are probably quite close to what Kennedy is being told by his official advisers.

Congress feels the itch to get out of town

Adjournment fever could be breaking out in Congress any day.

The early signs can already be seen: a growing impatience with old issues and a tendency to believe that solving them will somehow be easier next year.

Kennedy's strongarm squad, charged with pushing Administration ideas through Congress, brings word to the White House that the time has come to ease up. Pressure is relaxing on every issue except foreign aid.

Lawmakers get the impression that if they pass a foreign aid bill suitable to the White House, they can leave town with no hard feelings on Kennedy's part.

Dillon reassures about a tax rise next year

The White House still has hopes for a tax bill containing an investment credit for capital spending by business. But there's no arm-twisting for it as there is for foreign aid.

Treasury Secy. Douglas Dillon wrapped up the Administration arguments for the tax bill before leaving for Uruguay and a conference on Latin American aid. Dillon cited lagging orders from U.S. industry for new machine tools at a time when orders from foreign manufacturers are rising. The investment credit, he argued, is needed to let U.S. manufacturers keep pace with their foreign competitors.

The Administration is trying to quiet speculation about a possible tax increase next year.

Kennedy raised the question of a tax rise himself in his TV speech to the country about the Berlin crisis. One result was virtually to halt consideration of the investment credit tax bill.

Dillon waited nine days, then wrote Rep. Wilbur Mills (D-Ark.), chairman of the House Ways & Means Committee, that an increase would not be needed. In effect, Dillon said don't let the President's words hold you back.

White House fight for school aid slacks off

There's little White House effort for the school bill.

Backers of the idea in the House are still hoping to force a vote this year. But the impression grows that the Administration is losing interest.

It could be that school aid is losing the political appeal it once had. Many lawmakers are weary of the issue; it has been wrangled over now for years with no solution in sight. Others are afraid of it now that aid to Catholic schools is part of the fight.

Hodges wants to show he's not anti-business

Commerce Secy. Luther H. Hodges is stung by published reports that his department is unfriendly to business. He has hired new people, may add up to 100 more, in a drive for a stronger voice in such foreign trade issues as taxes and tariffs. The theory is that he ought to speak up more for business but is outgunned by bigger, better staffs in the State and Treasury Depts.

Contents copyrighted under the general copyright on the Aug. 12, 1961, issue—Business Week, 330 W. 42nd St., New York, N. Y.

Transitron loosens the reins

**Bakalar brothers are
delegating more authority
all along the line**

All through Transitron Electronic Corp.'s brief history, questions about its management have begun and ended with the Bakalar brothers. Up to this time, there has been a good reason for this. Transitron has only four officers—including David Bakalar, 37-year-old president, and his brother Leo, 48-year-old chairman-treasurer.

Transitron, which has headquarters in Wakefield, just outside Boston, manufactures diodes, transistors, and other semiconductor devices. Since its shoestring start in 1952, it has had a phenomenal growth. As a producer of semiconductors, it ranks second only to Texas Instruments, Inc.

Case study. The Bakalars have always denied that they ran a two-man show, but, says a company production engineer, "At one time half of our employees reported directly to one or the other brother."

Now stirrings within the company indicate that the Bakalars are beginning to realize it takes more than the scientific and financial acumen of its top executives to run a successful enterprise. A big dip in this year's first-quarter earnings undoubtedly prodded the brothers to expand their concepts of organization and management.

Philosophy. The original Bakalar philosophy of management was simple: Keep personnel relations informal and hold the paperwork to a minimum.

The policy seemed to work, judging by the sales and profits picture. From 1955 to 1957 sales quadrupled, from less than \$4-million to more than \$16-million. From 1957 to 1960, they tripled, to more than \$47-million. Net income rose from less than \$1-million in 1955 to more than \$8-million last year.

Complications. One of the sup-



Brothers David (left), president, and Leo Bakalar, chairman-treasurer, are taking steps to mold the management of Transitron Electronic Corp. along modern lines.

TRANSACTER

AT THE GARRETT CORPORATION

AiResearch Manufacturing Division

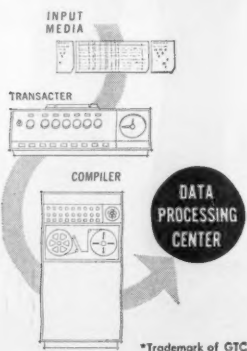
AiResearch, Phoenix announces an intensive program in manufacturing controls aimed at reducing production time. The heart of this program is continuous status reporting on every machine and part in production by the TRANSACTER* System.

Located throughout the plant, the TRANSACTER System units provide an accurate, instantaneous link between widely scattered factory locations and central Compilers which receive the messages, digest them and feed continuous punched tape to the data processing center.

Not only is production status continuously reported—so too, is order location, inventory control, tool crib and stores control—all contributing to accurate labor costing—together with continuous reports of receipt and shipment.

At AiResearch, Phoenix management reports that have heretofore taken days, can now be produced in minutes.

Write for informative brochure.



GENERAL TIME CORPORATION
STROMBERG DIVISION
THOMASTON 3, CONN.
Makers of the World's Finest Time Equipment

posed advantages of Transitron's loose organization was that it could put individuals on a problem at the very beginning, and leave them there through completion, without having to confer with managerial hierarchy.

In fact, a former employee ascribes the company's initial success mainly to the high morale and gusto that Transitron's engineers developed as they solved big problems. "But," he says, "I also saw the time come when we got too big for the Bakalars to come around and cheer us up. For too long we never saw beyond the next problem, and then the autonomy of the engineer began to fade away. We felt that the Bakalars were powerless to recreate the informal relations we once had."

Trouble starts. The first rumblings of discontent were heard in 1958, when some of the bright young engineers who had started with the Bakalars began to leave the company. Even key men complained of too much responsibility and too little authority.

On the surface, Transitron's recent difficulties could be explained in terms of the general business slowdown, the fall off in military orders (which make up 60% of the company's market), general overproduction by the industry, and increasing foreign competition.

The stock market had already foreshadowed dropoffs in orders and weakening prices for the whole semiconductor industry. Then the March earnings statements this year showed Transitron's first-quarter sales had dropped to \$7.5-million—half of the previous quarter—and the books showed a loss of almost \$700,000 compared to a profit of \$2.1-million the year before. Second-quarter sales increased slightly to an estimated \$8.5-million.

Shoring up. In response to these symptoms of trouble, the Bakalars are shoring up their organization against further stress. Bit by bit, Transitron is adopting the principles of modern management. David Bakalar is gradually cutting down the number of people who report directly to him. He is devoting more time to long-range planning and high-level recruitment. For example, outsiders will take over as product managers. And for the first time, someone other than the Bakalars will have complete authority for individual product lines and for their profits.

Earlier efforts. Actually, Transitron's transition began before its recent difficulties. There had been some attempts to formalize positions.

But now some employees are going into new jobs—heading semiconductor research or special projects. There's a new market research department to supplement management's "feel" for the market. And a new manager of quality control has been appointed.

Hylan Freed, who was brought in as controller in 1959, has just set up budgetary procedures—the company's first. In the past, the Bakalar brothers personally had their hands on virtually every purchase or sale the company made.

For the first time, also, Transitron will have a complete inventory control system with a full-time operating department.

Even yet, the upper levels of management are sparsely staffed. Employment was up to 5,200 this spring, but the company still has no vice-presidents. The heads of research, development, and production report directly to David Bakalar, and the other four major departments directly to Leo Bakalar.

Financial watchdog. So far, Leo Bakalar has been less involved than his brother in the updating of Transitron's management. Practical rules of thumb still satisfy him. For example, he's fond of saying: "What'll it buy you?"—meaning what is the return on an investment. But his dollar-and-cents approach, within limits, has served the company well.

He expanded the company from an old bakery into elderly mill buildings—refusing to be enticed like many other electronics companies into the modern glass and brick industrial parks that stretch along the "golden circle" of Route 128. He says that Transitron's facilities in Wakefield and South Boston average less than \$10 a square foot—about a third of the cost of new construction.

Happy as scientist. Leo Bakalar's watchdogging of expenses may seem remote from the new management methods and men now coming into Transitron. But David Bakalar's conversion of professional-style management has not been complete either.

He still feels happiest as a scientist making technical decisions. One company researcher says: "When Dave calls, he isn't asking about next year's budget. He's concerned with a bonding technique, or the characteristics of a new metal."

Asked why more organizational changes were not made earlier and authority delegated sooner, David Bakalar insists it was impossible. "We could not get the people then," he says. "We can now." **End**

Sound Investment...

During the first half of 1961, Newsweek was first among the general newsweeklies in General Promotion and Association advertising with 408 pages; U.S. News & World Report, 396; Time, 349.

The fact that Newsweek led in this significant category demonstrates what America's leading corporations think of Newsweek's climate for advertising.

Through its unique editorial approach, Newsweek attracts the leadership people who need facts to make sound decisions. These leaders in business, government and the professions are America's prime market for products and ideas. Newsweek delivers more such top prospects per advertising dollar than any other general newsweekly.

Of course I'm sure.
I read it
in Newsweek

...ahead of the news, behind the headlines...for people at the top

GE's election of new top brass marks a reshuffling of responsibilities

The election of Gerald L. Phillippe as president of General Electric Co. [BW Aug.5'61,p34] marks the abandonment of a four-year "experiment" in the division of responsibilities among GE's top executives, Chmn. Ralph J. Cordiner explained at a press conference late last week.

Traditionally at GE, line operating officers have reported to the chief executive, staff officers to the second-ranking man. Four years ago Cordiner reversed that, turned the line divisions over to Pres. Robert Paxton, and took over the staff himself. Now he is reverting to the old system.

That doesn't mean, Cordiner emphasized, that the experiment was a failure. Rather, the times have changed. Four years ago, he said, he felt free to "see if I could add a plus" by giving attention to such peripheral areas as research. Now that GE is struggling with tougher competition, declining profit margins, and lawsuits growing out of its antitrust troubles, he feels he "must concentrate on operations."

For the same reason, Cordiner said, he has given up the idea he had a few years ago of retiring before GE's compulsory retirement age of 65: "I feel I no longer have a free choice."

Outdated U. S. machine tools make friends for West in schools in underdeveloped areas

Obsolete U.S. machine tools are getting a new lease on life in Latin American, Asiatic, and African vocational schools, thanks to a novel experiment in international public relations dreamed up by a young New England executive.

Over the last couple of years Technico, a non-profit foundation formed by Robert Morrow, vice-president of Frank Morrow Co., Providence, R. I., has collected 100,000 lb. of surplus shop equipment from New England companies and sent it to schools in underdeveloped countries. Now Technico is planning to go national with a new scheme under which companies will "adopt" and equip individual schools.

Already Brown & Sharpe Mfg. Co., Allis-Chalmers Mfg. Co., and Worcester Polytechnic Institute have adopted schools in Nigeria, India, and Pakistan. Several large companies are on the verge of negotiating adoptions.

Morrow hasn't had any trouble finding schools that could use equipment ranging from milling and sewing machines to drawing instruments and wrenches.

Nor has he had any trouble rounding up donors. There's plenty of obsolete shop and laboratory equipment around, much of it salable only for scrap. Technico's plan offers the owners of such equipment an inexpensive way to win friends overseas and at the same time get a tax deduction; the material is deducti-

ble at fair market value. For machine tool makers there may be an added long-range sales advantage as future foreign technicians get used to American equipment.

Over the next year Technico hopes to supply 100 schools with some 1,500 machines to help train an estimated 3,500 technicians and skilled workers.

Texas Instruments and Eastern Air Lines revamp duties at upper levels

Texas Instruments, Inc., which has grown from less than \$8-million to more than \$230-million annual sales volume in the past 10 years and hopes to hit \$1-billion "in the lifetime of management," is subdividing management responsibilities to fit its growth.

In a series of management changes announced over the past month, TI divided the Semiconductor-Components Div. into two (transistor products and components) and cut the number of vice-presidents reporting directly to Pres. P. E. Haggerty down to three; two staff v-ps and Executive Vice-Pres. Mark Shepherd, Jr., who is responsible for all company operating activities.

In a similar move late last month, Eastern Air Lines, Inc., put a new layer of management between Pres. Malcolm A. MacIntyre and most of its vice-presidents. Four new executive vice-presidencies were created—for transportation services, staff services, administrative services, and finance.

Aerospace industry seeks to keep pace with technology by reshuffling managements

Beset by problems of exploding technology and uncertain markets [BW Apr.5'61,p43], the aerospace industry is going through a wave of reorganizations.

Last week Douglas Aircraft Co., Inc., announced the creation of two new integrated product-oriented divisions, one for missiles and space and the other for military and commercial aircraft. It was the industry's third major revamping in three months, following on the heels of organizational changes at Lockheed Aircraft Corp. and General Dynamics Corp.

Douglas' two new product units combine three former manufacturing divisions set up on geographical lines.

The changes are a step toward decentralization along product lines. But they don't go all the way. Left out of the new product divisions were the Charlotte, N. C., division, production center for the Nike Hercules anti-aircraft missile and Honest John rocket, and the company's modification center at Tulsa, Okla. Heads of those units still report to the president.

Lockheed's recent organizational changes have also been in the direction of decentralization. It has created three new "companies"—Lockheed Missiles & Space Co., Lockheed-California Co., and Lockheed-Georgia Co.—out of former divisions. All are headed by presidents.

THIS IS SHENANGO!



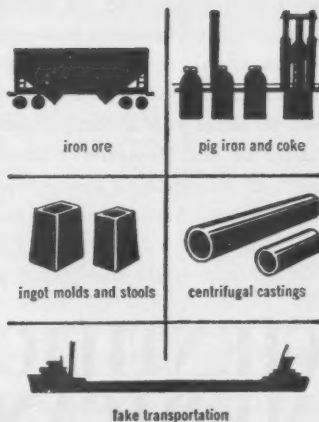
Bringing ore to market is an important Shenango function

Transporting ore through the Great Lakes System to unloading docks on lower Lake Erie is an important part of the widespread operations of Shenango Furnace Company. Shenango operates its own fleet of ore carriers, the latest of which, The Shenango II, was christened in mid 1959. It is not surpassed in ultimate capacity or modern equipment by any similar craft on the inland waterways. These splendid vessels, and the personnel afloat and ashore that operate them, are the vital link between Shenango's iron mines in Minnesota and its blast furnaces at Sharpsville, Pa.

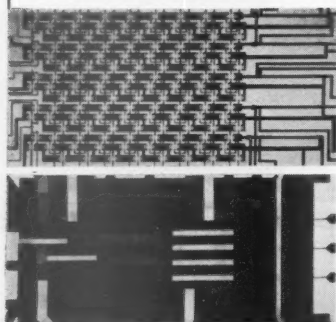
the **Shenango**
FURNACE COMPANY

Oliver Building, Pittsburgh, Pa.

Plants at Sharpsville, Pa.; Dover, Ohio; Neville Island, Pittsburgh, Pa.



SCIENTIFIC AMERICAN



CROTON COMPUTER ELEMENTS

FIFTY CENTS
July 1961

The readers of **SCIENTIFIC AMERICAN** know the stories behind the four covers reproduced opposite. Our readers are the men of Technical Management, and they tell us that they read our magazine at home, enjoying an average of four hours with each issue. They are enriched by the understanding of current innovation in science and technology uniquely presented in our pages.

These readers—more than 275,000 engineers, research scientists and technical executives—have made industrial profits dependent upon constant innovation in plant, process and product. Their stern demands determine the purchasing patterns of industry. More than 450 corporations know this and know the way to speak to Technical Management successfully is to speak to them through our pages. If you wish, we will be pleased to send you a complimentary copy of our September issue in which all advertising space was sold out a month before the regular closing date.

SCIENTIFIC AMERICAN

415 MADISON AVENUE, NEW YORK 17, N. Y.

PRODUCTION

Diesel runs on any fuel

New engine developed by GM's Detroit Diesel Engine Div. can roll off conventional diesel production lines. And older models can be converted for about \$200

Development of a line of 12 piston engines ranging from 20 hp. to 650 hp. that will operate on anything from No. 2 diesel fuel to combat gasoline was revealed last week by Detroit Diesel Engine Div. of General Motors Corp. [BW Aug. 5 '61, p36].

The military, in an attempt to simplify logistics, has been seeking a power plant that would run on any fuel available in time of war. In the past several years, it has tested many multi-fuel engines—and many of them worked.

But they were all special production engines—costly to build, complicated to maintain, and often requiring some sort of field adjustment to switch from one fuel to another.

Ready availability. The significant feature of the Detroit Diesel development is that a basic production-line diesel engine can become a multi-fuel engine either as it comes off the production line (at an added cost estimated at \$16 per cylinder) or later by use of a conversion kit at a cost of about \$200 or less. New engines will cost from \$3,000 up.

The development of the new engine is somewhat unusual because it was made without a contract with the government. The military need was known; Detroit Diesel sought to fill the need on its own.

Now, any Detroit Diesel engine being used by the military can be converted quickly to a multi-fuel engine by replacing old fuel injectors with needle-valve injectors, putting in new high-compression pistons, and adding a fuel pump booster to the fuel tank.

Commercial possibilities. At the moment, Detroit Diesel is aiming primarily at the military market. But once this gets rolling, the GM division may raise its sights to the commercial field. Right now, the commercial prospects for the engine are somewhat vague, though Robert Hunter, Detroit Diesel sales manager, thinks they may develop as military use and acceptance of the multi-fuel engine grows.

At first glance, the commercial markets might include foreign construction projects where fuel availability might be a problem, and stationary installations where preparedness for a war emergency might dictate use of an engine with a diversified fuel appetite. This would include electric power plants using diesel power or installations for private manufacturing companies. It also might include some trucking applications where this type of engine might be purchased in small quantities as a backstop in the event a national emergency makes certain fuels scarce.

How it was developed. Addition of the multi-fuel features to the basic diesel was accomplished primarily by raising the compression ratio from 17.5 to 1 to 23 to 1. The secret lies in a new injector—one that can meter the correct amount of fuel into the combustion chamber. Detroit Diesel developed a needle valve controlled injector that is capable of handling a much wider range of fuel.

Greater flexibility. The basic difference in the more flexible needle valve fuel injector is quite simple. An injector essentially is a piston-type pump that forces fuel through a nozzle in the combustion chamber. In the conventional injector, quite a large amount of fuel stays between the pump section and the hot nozzle. With fuel oil this is all right, but combat gasoline vaporizes as it is forced out of the injector after combustion takes place.

The needle valve injector has its seat very close to the nozzle. The fuel volume exposed to heat is extremely small, and even if it vaporizes out between cylinder firings, the loss is very minute. Also, the needle valve, because of higher opening and closing pressures, results in better atomization of small quantities of fuel.

The compression ratio, incidentally, was raised merely by redesigning the piston, with the new design easily manufactured at no extra cost on current production facilities. **End**

Polymer has technique for casting nylon plastic for large, heavy-duty parts

A technique for casting massive parts for industrial use out of nylon plastic rather than metal was introduced last week by Polymer Corp. Polymer has its eye on such markets as papermaking, railway, construction, materials handling, and metalworking machinery.

The process centers around the direct conversion of nylon's basic chemical raw materials to the finished parts or shapes, and is similar in technique and cost to regular casting of metals. The chief difference is that in metal casting, a white-hot metal is poured into a mold and hardens by cooling. With the Polymer process, hot liquid monomer—the single molecules of nylon—flow into a mold and the finished nylon part is formed by a chemical action that converts the monomer into a polymer or molecular chain.

Up to now, the use of nylon—in a polymer form—has been mostly limited in industrial applications to small, mass-produced parts, made by extrusion or injection molding. This is still the cheapest method for small, mass-produced parts.

Nylon hasn't really hit it big in large, heavy-duty parts because of the cost of giant, special molds needed for extrusion and injection molding, and because of the technical problems in producing a porous-free product from polymer, under pressure.

By direct conversion of raw materials, Polymer claims the raw material costs for making a large nylon part are 50% less than what they would be, using extrusion or injecting molding. Right now, castings made from Polymer's new material—called "MC nylon"—are supposed to be lower in cost on a per piece basis than stainless steel or brass castings and are competitive with alloy steels.

The basic process was originally developed by Monsanto Chemical Co. Polymer has exclusive rights to the process for nylon casting in the U. S. and several foreign countries.

More powerful magnets in commercial quantities

U. S. Magnet & Alloy Corp. has a new process that, it claims, turns out in commercial quantities permanent, industrial magnets more powerful than any now on the market.

The magnet—an "Alnico" material made of an aluminum-nickel-cobalt-iron alloy—is said to have a nominal energy output of 7½-million gauss-oersteds. A gauss-oersted is a measure of the magnetic quality of a given piece of material. Industrial magnets as powerful, or even more powerful, have been produced; but they're either locked away in the laboratory, says U. S. Magnet & Alloy, or very costly and available only on a limited, special order basis. In production quantities, the nearest thing to the new U. S. Magnet

& Alloy material is a magnet in the 7-million gauss-oersted range, the company says.

The key to U. S. Magnet & Alloy's "ALNICUS" magnet is a casting process that lines all the alloy crystals up in one direction, creating tiny, uniform highways or lanes for the magnetic energy to travel over. In conventional Alnico materials, the crystal structure is a little more random or haphazard. This sets up grain boundaries that reduce energy output.

"Robot" painter, working both ways, coats surface in a fraction of manual time

Esso Research & Engineering Co. has a novel way to paint large metal storage tanks, such as those used in the oil industry, and possibly ships' hulls and decks. Esso's "robot" paint applicator, resembling a toy tank, can paint relatively smooth metal surfaces both horizontally and vertically at a 6-in.-per-second clip.

The miniature tank sticks to a surface with the help of magnets set in its rubber treads. The treads themselves are driven by an air-operated turbine, while an operator—manning pneumatic controls nearby—keeps the tiny machine on course. Paint comes up through a hose under pressure, and is applied with a roller.

Esso claims that four of these systems, with 1½-ft.-wide rollers, could coat a medium-sized tanker in 16 man-days at a cost of between \$7,500 to \$14,000. That compares with 200 man-days and up to \$20,000 if the same job were done manually, the company says.

Esso is discussing the painter with several tool manufacturers, but isn't sure at this point whether it will be offered commercially.

Embroidery-making machines undergo first major design change since 1917

Machine-made embroidery, better known as "schiffli," has gone through hundreds of style changes over the years; now the schiffli machines are getting their own brand of haute couture.

In the industry's first major design change since 1917, Italy's Metalmecanica has developed an embroidery machine that is supposed to operate up to 50% faster than most machines now in use and 33% faster than the speediest. Bicolor Automation Industries, Inc., will market the machine in North and South America.

The new model, according to Bicolor, also cuts down time about 50% in an eight-hour shift—due mainly to its (1) almost vibration-free operation, which reduces yarn breakage; (2) a larger frame and larger bobbins; (3) self-lubrication; and (4) automatic needle adjustment.

The Metalmecanica machines are priced at \$56,500, compared with about \$52,000 for the older systems that they'll replace.

FARMING IS MORE PROFITABLE... THANKS TO COLUMBIA-SOUTHERN CHEMICALS

Today, commercial growers find they can often virtually eliminate the drudgery and expense of hand-weeding or cultivating many crops. They kill weeds *chemically* before they come up, without harm to the crop. Pre-emergence treatment with selective herbicides such as PPG Chloro-IPC and IPC is paying its way in reduced labor costs and increased yields, for growers of cotton, sugar beets, vegetables and many other major crops. New weed controllers from PPG Chemical Division research are being field tested, to broaden the usefulness of this new "chemical hoe." All the way to market, packers and processors keep agricultural products fresh, sanitary and marketable with the help of PPG Chemicals such as chlorine, caustic soda, soda ash, sodium bicarbonate, ammonia and Pittchlor® calcium hypochlorite. Perhaps *your* profits would grow faster with the help of PPG Chemicals.



columbia | southern
chemicals

CHEMICAL DIVISION

PITTSBURGH PLATE GLASS COMPANY
ONE GATEWAY CENTER PITTSBURGH 22, PENNSYLVANIA



In business abroad

BW

More news about business abroad:

Page 56, Britain decides to join the Six

Page 74, Harley-Davidson guns its motorcycles for foreign sales

Ex-Im cracks down on loans to companies suspected of "tax haven" operations

At the Administration's request, the Export-Import Bank is refusing applications for financing from overseas subsidiaries of U.S. corporations where any question of tax haven operations is involved.

This new policy came to light last week in a dispute with A.O. Smith Corp. The company protested the denial of an export guarantee by Ex-Im for a \$60,000 sale of gasoline pumps by its wholly owned Venezuelan subsidiary.

Walter C. Sauer, executive vice-president of Ex-Im, wrote A.O. Smith International S.A. that the policy of the bank is to turn down applications involving a subsidiary "which has been established primarily for tax purposes." Sauer said that Ex-Im would "entertain an application from your parent U.S. company."

At the suggestion of Ex-Im officials, A.O. Smith protested to the Treasury Dept. The company said its Venezuelan operation was not set up for tax reasons, and presented an account of its overseas operations to prove it.

Treasury officials gave Smith no satisfaction. So the Milwaukee company turned to members of the tax-writing House Ways & Means Committee—which last week voted to postpone any change in tax treatment of tax haven operations at least until next year. Committee members are miffed over what they consider to be an arbitrary executive decision on a matter submitted for legislative consideration.

Cleveland manufacturers join the rush to find European partners

A spate of joint ventures of hometown industries and overseas manufacturers emanated from Cleveland this week.

Midland-Ross Corp. has negotiated an agreement with Ameliorair, S.A., of Paris, for the manufacture and sale of a broad range of products of the J. O. Ross Engineering Div. of Midland-Ross. Included in the products are ventilating systems used in the pulp and paper industry, industrial ovens, air-conditioning equipment.

Steel Improvement & Forge Co. has licensed Birmingham Small Arms Co., Ltd., leading British machine tool manufacturer, through its subsidiary B. S. A. Tools, Ltd., to build and market the Cleveland company's new electrochemical metalworking machines.

E. F. Hauserman Co., manufacturer of movable interior walls, has joined Forges de Strasbourg, affiliate of one of France's largest steel companies, Forges de Pemper, as an equal partner in setting up a new company, Strafor-Hauserman. The new company will start producing movable walls and metal office furniture by early 1963.

First New York-Moscow flights are scheduled for early next year

While threats and counterthreats are flying over the Berlin question, the U.S. and Russia this week finally agreed on something—a direct airline link between New York and Moscow [BW Jun.24'61,p136].

Although some details are yet to be worked out, flights between the two countries are expected to start sometime next spring. Pan American World Airways will be the U.S. carrier flying into Moscow. The Soviet state-owned Aeroflot will fly to this country.

This would be the first direct airline service between the two countries. The Civil Aeronautics Board certified Pan American for flights to Russia shortly after World War II, but service never started.

New British office to coordinate technical aid to developing nations

Britain officially has set up a government department to coordinate technical foreign aid previously administered by the Foreign Office, Colonial Office, and the Ministry of Labor [BW May13'61,p69]. It will be called the Dept. of Technical Cooperation.

Technical cooperation is designed to enable Britain to meet more effectively requests for technical assistance from developing countries both inside and outside the Commonwealth. However, provision of capital aid will remain the responsibility of the overseas departments where it presently rests—Foreign, Commonwealth, and Colonial. Whitehall feels present provisions for dispensing capital aid are adequate.

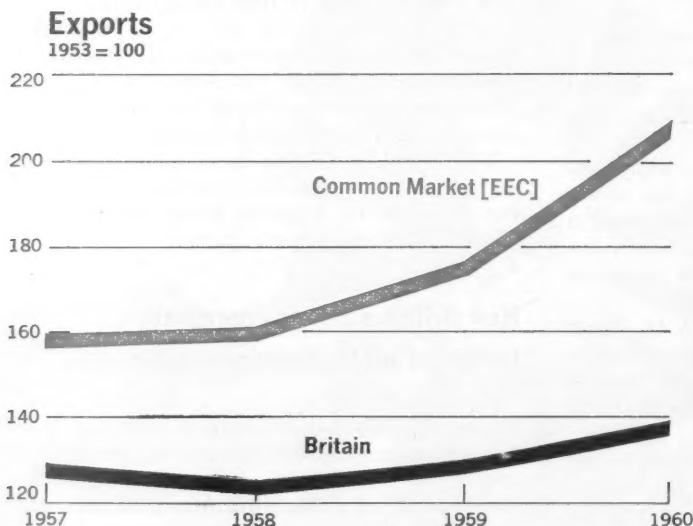
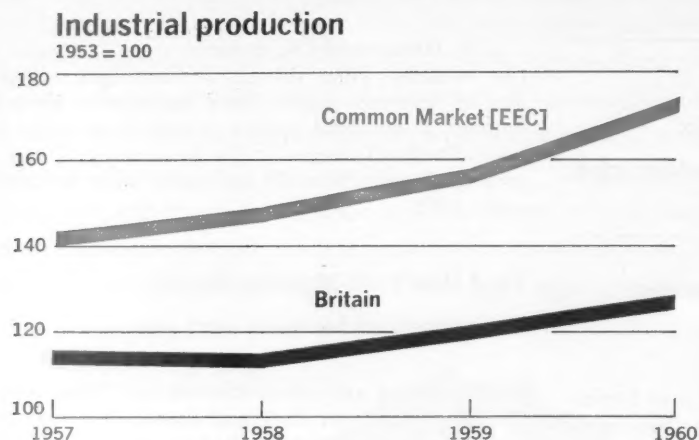
The Kennedy Administration would like to do pretty much the same thing as the British. But the U.S. plan would go one step further—all aid, technical and capital, would be lumped into one office.

Southeast Asia forms own economic bloc

Following the trend to area economic blocs—such as EEC, EFTA, and the Latin American Free Trade Assn.—the Republic of the Philippines, Thailand, and Malaya have formed their own, called the Assn. of Southeast Asian States. As a first step, the association will establish cultural and economic cooperation among the members. Later it may evolve into a full-fledged trading bloc.

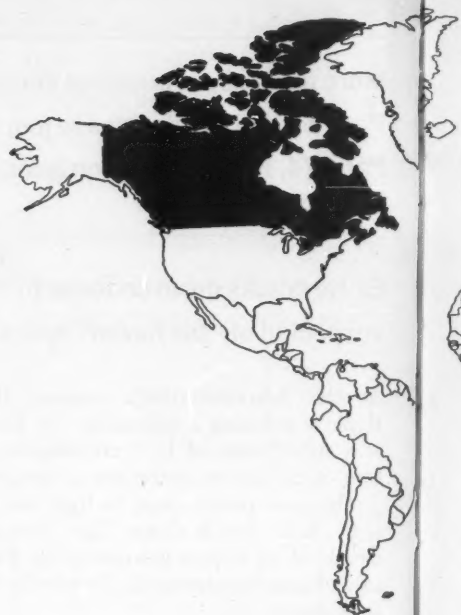
With Common Market growing faster...

Britain decide to



Data: EEC; IMF

© Business Week



united Western Europe with a common external tariff and with a gross national product exceeding Russia's.

Behind Britain's break with history lies a painful resolve to face the facts of life. In isolation from the Continent, its trade oriented to the Commonwealth, Britain has let its economy grow sluggish. The Continent has boomed.

As Britain tries to strengthen its economy by joining with the Continent, repercussions will be worldwide:

- U. S. business will have a harder time competing in the European market, as the enlarged EEC dismantles internal tariffs against each other's products and maintains a common external tariff. Although Washington expects discrimination against U. S. goods to increase, the State Dept. is encouraging the merger for the strength it will bring into the Atlantic Alliance.

- The Communist bloc will be faced in Europe with a fast-growing, industrialized unit possibly destined for an ever-increasing measure of political unity as the bloc's national economies dovetail and rivalries arising from trade rifts dissolve.

- From Hong Kong to Canada, Commonwealth territories will have a period of time—yet to be negotiated—to make the adjustment from their present trading patterns to new ones. How the merger affects them will depend on Macmillan's negotiations in their behalf with the EEC.

Why Britain casts its lot with Europe

Swift growth of EEC convinces Macmillan he must cut Commonwealth ties to join an economic bloc whose gross national product will top Russia's

While the international business community watches expectantly, Prime Minister Harold Macmillan (cover) now is moving rapidly to weld Britain with the six-nation European Economic Community

(EEC) in a powerful, single economic bloc. With Britain taking the lead, other members of the European Free Trade Assn. (EFTA) are certain to join EEC either as full or associate members—producing a

side to cut its Commonwealth trade ties...

and join with the Six



Outer Seven

Britain
Sweden
Norway
Denmark
Switzerland
Austria
Portugal

Inner Six

France
West Germany
Italy
Netherlands
Belgium
Luxembourg



© Business Week

Old trading ties. The Prime Minister, of course, faces problems. Entrance in EEC means that Britain must sever its exclusive trading ties with the Commonwealth, eliminating the preference it now gives member nations in the British market. Macmillan's task is to do this without wrecking the Commonwealth, and that in turn means getting some concessions for Commonwealth nations out of EEC.

Even with these and other problems, Britain may reach a compromise with EEC within one year; it could be a full EEC member by Jan. 1, 1963.

In any case, the Prime Minister is moving ahead fast. Just two weeks ago, in an overthrow of British tradition, Macmillan announced his decision to "take Britain into Europe" [BIW Aug. 5 '61, p. 71]. Since then, he has won support for his proposal from the House of Commons. Negotiations with EEC will begin after Sept. 25.

I. Britain's laggard industry

Britain's industry will feel the direct impact of a merger more than any other sector of the international business community, whatever terms are hammered out by the British and the EEC.

Long coddled by the government, assured of its home market by rather high tariffs, sometimes infuriating to government officials by its complacency, British management will

be doused in powerful competition from French, West German, Italian, and Benelux businessmen.

In this commercial race, Britain's large companies will have the easiest time surviving, followed by small companies that specialize and are highly efficient. But nearly all will be starting with something of a handicap.

Although many corporations will merge with companies on the Continent, British industry has lost its chance to be in on the ground floor of innumerable agreements among corporations of the six EEC nations. These have ranged in scope from market sharing to specialization on particular products to avoid direct competition.

Capital. The long wait also has cost British industry several years of stimulus from wider competition, lower tariffs, and wider marketing areas. Then, too, Britain has lost much U.S. investment that sought opportunities in the EEC, although it might have preferred an English-speaking base.

On entering EEC, Britain's tariffs on EEC goods must be cut 30% or 40%, depending on the date. That will be a shock to such well-protected industries as cars, machinery, instruments, and textiles. In these industries especially, management is expected to use its strong competition from the Continent as an argument with trade unions to moderate their wage claims, give up restrictive practices, and to cooperate in

the national interest to increase productivity.

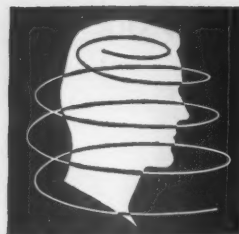
Despite the handicaps of a tardy merger with EEC, Britain's business community generally is for the move. Most executives see in it more to gain from access to the EEC market than they fear to lose.

London stockbrokers recently issued advice to investors on which industries are likely to benefit from the merger. Among these are chemicals, pharmaceuticals, farm tractors, heavy trucks, and Scotch whisky. Slightly less hopeful was the outlook for woollens, some types of machinery, glass, china, plastics, office machinery, and some scientific equipment. Likely losers, according to these stockbrokers, are cotton and rayon textiles, watches and clocks, possibly leather goods. There is disagreement on autos.

II. An image is abandoned

Beyond inviting these economic changes, the Prime Minister's decision amounts to a further erosion of the nation's old image of itself as a world power at the heart of an empire.

Since World War II, Britain has had to recognize its diminished influence. But it has clung to Sir Winston Churchill's concept of Britain at the intersection of three great circles of the free world—the Commonwealth, the Anglo-American alliance, and Europe. Thus the British have seen themselves as very much an



KEYSTONE WIRE
a tool for
man's imagination



3 TIMES
ACTUAL
SIZE

Gear shift part made from WIRE

Of the many parts in an auto gear shift, one of the more difficult to produce is a plunger-selector lever produced by Elco Tool and Screw Corporation, Rockford, Illinois. Rigid specifications call for cold heading this plunger from a special steel wire developed by Keystone Steel & Wire Company.

Elco fastener engineers, recognizing the superior flowability characteristics of Keystone Wire, now specify this wire exclusively.

Because rejects are held to a minimum, there is no waste of material; low-cost production is assured.

Keystone Wire has uniformity throughout the coil and proper chemical analysis is constantly maintained during steel making. These wire properties mean you get the exact wire you need to make your product better, to function perfectly and last longer. Let us know when we can help you solve your wire forming problems. With your blue prints and specifications, we can recommend the best wire for you.



Keystone Steel & Wire Company, Peoria, Illinois

KEYSTONE

Cold heading and forming wire for industrial uses

Canada, for one, feels it might lose as much as half of its trade with Britain...

Story on page 56

international political force even as their economy lagged.

Meantime, the European Economic Community has shown itself strong, dynamic. Its economic development has surged ahead of Britain's.

To some degree, this has diluted the old special relationship between the U.S. and Britain. More important, it has pointed up the Commonwealth as a poor stimulant for Britain's growth.

While the Commonwealth is still an important political factor linking Britain, Asia, and Africa in a multi-racial bond of mutual confidence, it has declined as a trading force—even though the Commonwealth still takes a high percentage of exports from industrial Britain, and still supplies a high percentage of its imports.

Concessions. The Commonwealth countries, of course, have an enormous stake in the concessions London can wring from the other European capitals for Commonwealth products. By losing its preferred position in the British market, Canada—for one—feels it might lose as much as half of its nearly \$1-billion trade with Britain. Prime Minister John Diefenbaker has called for a special Commonwealth conference, preferably at the prime ministerial level, to discuss Britain's proposed move. Macmillan is committed to do something to protect Commonwealth interests.

However, the old relationship of industrial Britain as a main supplier for a group of primary producing countries has steadily weakened. From 1936 to 1938, Britain took 40% of the overseas Commonwealth's exports. By 1959, the figure was only 25%. Of Britain's exports, 51.6% went to the Commonwealth in 1955. By 1960 the figure dropped to 45.5%.

British exports to EEC countries have risen only from 13% of Britain's total in 1955 to 14.5% last year. But Commonwealth markets at best are growing slowly, with the main nations industrializing fast and restricting imports. EEC markets are dynamic.

III. Effect on U. S. business

Among U.S. businessmen there is some anxiety. The merger of Britain and the EEC almost inevitably will pinch our exports.

In an enlarged EEC, the two large

est U.S. markets in Europe—Britain and West Germany—will have preferential access to each other's markets. In many lines, each is a competitor of the U.S. Both almost certainly will capture a share of U.S. business.

This much, too, is almost certain: A higher common tariff around Western Europe will exist for a while and will make itself felt by the U.S. for some time. Then, if the boom fades in Europe, U.S. exporters might be hurt further; Europe might raise its tariff barriers.

U.S. agriculture also will be hurt if Britain obtains for Commonwealth countries special protection for their non-tropical agricultural exports. This would put competing U.S. products at a serious disadvantage.

Such "outside" nations as Japan and the Latin American countries are out on a limb, and they, too, are fearful. The Japanese, a major industrial and trading nation, see themselves about to be "isolated" from Europe. Many Latin American businessmen forecast disaster if Commonwealth countries win participation in the EEC market. The Brazilians, for instance, could lose their share of the European market for castor beans and some minerals to India, for cocoa to Ghana and Nigeria, and further losses on coffee.

IV. Brought on by crisis

Britain has tried to avoid a full-scale move into the European Economic Community. After EEC was set up by the Treaty of Rome in 1957, Britain attempted to negotiate a broad free trade area with these countries and later a partial customs union. These ideas were rejected by the six EEC members, who said they aimed at a United States of Europe, not a business merger. Finally, Britain gathered the smaller countries of Europe in EFTA, then tried to negotiate a trading arrangement between the two groups. EEC again refused.

This year, Britain has had to face one of the crises in its balance of payments that recurrently threaten sterling. To meet the new crisis, the British have just adopted a series of austerity measures to dampen their own economy, to narrow their trade gap, and to defend their international currency. Just last week, the Treasury announced that Britain's gold and convertible currency reserves took their biggest fall in over 10 years in July, dropping \$319.2-million to the lowest level in three years.

Side benefits. Thus, Macmillan has concluded that Britain has no alternative but to join the EEC.

ARE YOU PAYING FULL-TIME PRICE FOR A PART-TIME COMPUTER?

**Only the asynchronous PHILCO 2000
works full-time for you!**



All other computers are slaves to an internal timer . . . they wait between operations. The Philco 2000—the only asynchronous computer—is free to flash from operation to operation with no delay. Result? The fastest, most reliable computer in the industry . . . the computer that works full-time for you.

This is how Philco gives you more for your computer dollar!

Count on Philco for leadership . . . in computation and in total customer services and support. Let us tell you more. Write today.

PHILCO

 Famous for Quality the World Over

PHILCO CORPORATION • GOVERNMENT & INDUSTRIAL GROUP
COMPUTER DIVISION, 3900 WELSH ROAD, WILLOW GROVE, PA

DREDGING PLAYS VITAL ROLE IN HIGHWAY CONSTRUCTION

The 41,000 mile Interstate Highway Program is challenging the ingenuity of road builders across the nation. One of the many difficult tasks faced by these engineers and contractors is building a road through swampy areas from which unstable earth materials not suitable for building roadbeds have to be removed. As a solution to this problem, highway builders are applying hydraulic dredging.

Exemplary of this, is the dredging work under way by a contractor responsible for the construction of an 8 lane segment of U.S. Route 95 paralleling the Mystic River on the outskirts of Medford, Mass. Here, the dual problems of straightening the river's adjacent shore line over which the road will wind and removing 1,600,000 cubic yards of unstable salt water peat, to be replaced by proper sand and gravel fill, are being solved by two hydraulic pipeline dredges, designed and built by Ellicott Machine Corporation. The ability of these units to accomplish the two jobs simultaneously, affect basic economies in the highway construction in a profitable amount of time.

Economic progress throughout the world is often dependent upon dredging programs which develop highways and other transportation arteries and facilities.

Because of this, Ellicott maintains an experienced staff of engineers who travel all over the continent studying these projects, recommending dredge designs that will meet specific job needs and assisting in applying and operating these floating excavators. These activities emphasize that Ellicott's part in dredging is more than building and selling dredges.

To learn more about Ellicott's other dredging projects, write for our illustrated brochure No. 971.

C. Ellis Ellicott, Jr.
C. Ellis Ellicott, Jr.
Chairman of the Board
Ellicott Machine Corporation

3011



ELLICOTT DREDGES
1600 Bush St., Baltimore, Md., U.S.A.



Edward Heath, Lord Privy Seal, carries ball for Prime Minister Macmillan on dramatic move to join EEC.

Aside from purely domestic economic reasons, Macmillan has felt that the West must be united in facing the cold war threat and that a British merger with the EEC would help strengthen the Alliance.

Inside the British Cabinet, Macmillan has had discord. Reginald Maudling, President of the Board of Trade, has advised against membership in the EEC. He was architect of the abortive Europe-wide Free Trade Area scheme and of EFTA. Opposing Maudling's view has been Edward Heath, Lord Privy Seal and a top official in the Foreign Ministry, and a leader of the group in favor of merging with the EEC. Heath has been mentioned as a possible successor to the 67-year-old Prime Minister, who wants to pass on his job to a younger man after Britain is assured entry into EEC.

Macmillan already has a cabinet shuffle in mind to bring young blood into the Conservative leadership. Before that, however, he would like to see his own career climaxed with a British merger with Europe.

V. France's frosty reaction

Only France has reacted coolly to Macmillan's bid; the other EEC nations welcome British entry. With Britain in EEC, Pres. de Gaulle feels he will not have the influence he now has, that his concept of a European "third force" will have no chance.

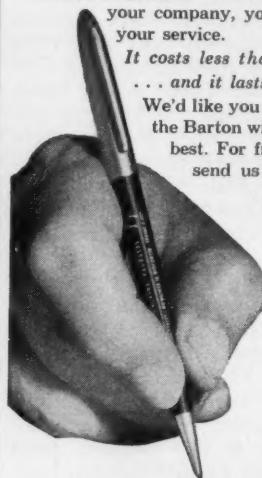
While the French may drag a bit in negotiations, it's unlikely that de Gaulle—assuming British demands are reasonable—will be able to stand against the combined pressure of his

BUSINESS CARD THAT KEEPS REMINDING!

Put your business card copy on a Barton Pencil. Present it with pride. Remind prospects and customers of your company, your product, your service.

It costs less than lunches ... and it lasts!

We'd like you to compare the Barton with the very best. For free sample, send us your business card!



SHAW-BARTON

GERLACH-BARKLOW

Calendar and Specialty Advertising

SALES OFFICES IN PRINCIPAL CITIES

GENERAL OFFICES AND PLANT, COSHOCTON, OHIO

WHY?

IS LIBERTY MUTUAL #1 IN WORKMEN'S COMPENSATION

SEE PAGE 37

The nicest things happen to people who carry
FIRST NATIONAL CITY BANK



TRAVELERS CHECKS
Member Federal Deposit Insurance Corporation

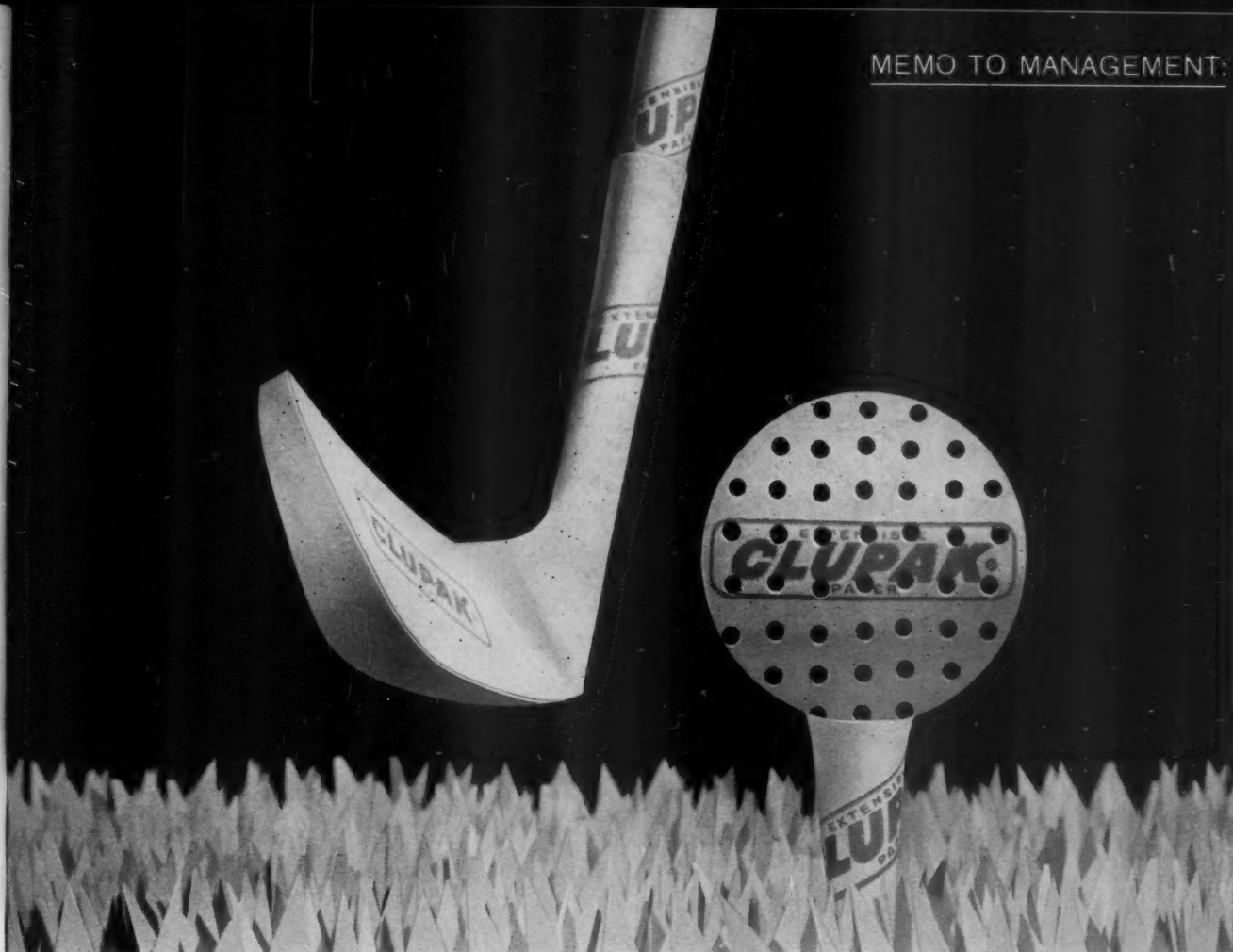
WHY?

IS LIBERTY MUTUAL #1 IN WORKMEN'S COMPENSATION

SEE PAGE 37

"FAVORITE FIFTY" companies of 1960 investors ran 97% more 1960 advertising pages in BUSINESS WEEK than in any other general-business or news magazine.

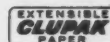
Sources: Vickers Associates, Inc.; Publishers Information Bureau



You don't need a driver when a 6-iron will do!

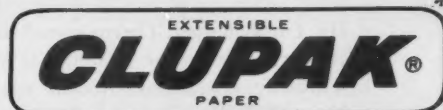
New Clupak extensible paper protects better, costs less than heavier weight kraft!

Built-in s-t-r-e-t-c-h gives CLUPAK extensible paper the ability to absorb shock and strain that damages conventional kraft packaging, appreciably reducing waste, cutting transit damage. In multi-wall bag applications, CLUPAK extensible paper can be stacked higher, safer and faster, lowering warehousing and handling costs. Yet it costs less . . . because it can be substituted for heavier, more expensive kraft. If you use paper in part of your packaging process, you would do well to explore the economies of CLUPAK extensible paper.



Compared to conventional kraft of equal basis weight has:

- Up to 7 times more machine direction stretch.
- 3 to 5 times greater ability to withstand impact and shock.
- 10 to 20% increase in cross direction stretch.
- 40% improved puncture resistance.
- Identical surface properties and printability.



"it stretches to shrink your costs"

*CLUPAK, Inc.'s trademark for extensible paper manufactured under its authority and satisfying its specifications. CLUPAK, Inc., 530 5th Ave., N. Y. 36, N. Y.

For information, contact the Clupak licensee nearest you:

ALBEMARLE PAPER MFG. CO. ■ CALCASIEU PAPER CO. ■ CONTINENTAL CAN CO., INC. ■ CROWN ZELLERBACH CORP.
HUDSON PULP AND PAPER CORP. ■ INTERNATIONAL PAPER CO. ■ ST. REGIS PAPER CO. ■ UNION BAG-CAMP PAPER
CORP. ■ WEST VIRGINIA PULP AND PAPER ■ For Canadian and Foreign Licensees write Clupak, Inc., 530 5th Ave., New York 36, New York

CLUPAK EXTENSIBLE KRAFT PAPER

ORDINARY KRAFT PAPER

STRETCH



CERTIFIED
For New York Thruway
operation...



Pulling up long grade from toll booth on N. Y. Thruway, this "double-bottom" rig is easily handled by Mack 205 HP Turbocharged Thermodyne diesel, which clocked 60,000 trouble-free miles in first eight months of service. Typical tachograph recording (shown above) certifies Mack's ability to handle steepest grades at Thruway Authority's speed requirements.

205 HP Mack Turbocharged Thermodyne diesel handles 90,000 GCW!

What better proof of the power output of Mack's 205 HP Turbocharged Thermodyne® diesel than the fact of its certification for 90,000 GCW "double-bottom" Thruway operations. Recent operations by Central New York Freightways, Inc. "double-bottom" rigs hauled by Mack 4-wheel tractors and powered by Mack's 205 HP turbo diesel engines easily met the Thruway Authority's speed requirements for the steepest grades with GCW of 90,000 lbs.

Says W. W. Patterson, Jr., President of Central New York Freightways, Inc., "Right off the bat we save over 500 lbs. of engine weight with these Mack turbo diesels, and even with these big loads our fuel average is a good 4½ to 5 mpg. Another advantage with us is the fact that these Macks can be used off the Thruway with a 40' single trailer—within 50' length—which means we can run them anywhere in our varied operation.

This flexibility, plus lower initial investment and lower operating costs makes the Mack turbo a natural for Thruway operations."

Before you consider another truck, get the full story of the Mack Turbocharged Thermodyne diesel. Your nearest Mack branch or distributor has *owner proved* performance records that can point the way to real savings in your hauling operations. Mack Trucks, Inc., Plainfield, New Jersey. Mack Trucks of Canada, Ltd., Toronto, Ontario.

IT'S PART OF THE LANGUAGE

...BUILT LIKE A



Mack





At Central New York Freightways' terminal this Mack B673T turbo diesel model (right) arrives with single trailer from Thruway interchange . . . picks up another 40' trailer for local delivery (below). Two-axle Mack tractors with turbo diesel engines are completely interchangeable with all other power units in fleet . . . eliminate need for maintaining special tractors to handle "double-bottoms."



**"How AMERICAN APPRAISAL
unveiled a \$9,800,000
tax phantom"**



This experience is typical of the assistance provided by American Appraisal service to industry, public utilities, commercial enterprises, and institutions.

A letter to our Home Office will bring immediate, interested response. No obligation, of course.

"One of our manufacturing facilities has, recently, presented a potentially expensive *ad valorem* tax problem.

"It was being carried, on the local tax rolls, at a \$16,000,000 assessment — which had, at one time, been a realistic figure. However, we have been engaged in cutting back our operation in that area, dismantling buildings, and removing equipment, with an eye toward eventual clearance of the site, to be followed by the creation of a new and far more efficient industrial park.

"Despite this physical reduction in value, we had been unable to reach any agreement with the local assessor on an equitable reduction in taxable value.

"At this impasse, the dollars involved demanded that we seek relief from the Board of Review and, in preparing our presentation to them, we retained American Appraisal, to examine our findings with an impartial, professional opinion on the current value of the facility in question.

"Their report, supporting our valuation of only \$6,200,000, was readily accepted, without argument, by the appeal Board, thus effecting an immediate assessment reduction of almost \$10 million. We must credit the professional techniques, documented interpretation, and recognized integrity of American Appraisal which, in conjunction with the efforts of our own plant manager and administrative personnel, helped bring about this valuable readjustment to a fair and acceptable tax base."



THE
**A
MERICAN
A
PPRAISAL
COMPANY**

Home Office: 525 E. Michigan St., Milwaukee 1, Wisconsin
Established 1896—World's Recognized Appraisal Authority

Atlanta	Fort Lauderdale
Baltimore	Kansas City
Boston	Los Angeles
Buffalo	New Orleans
Chicago	New York
Cincinnati	Philadelphia
Cleveland	Pittsburgh
Dallas	St. Louis
Detroit	San Francisco

also:
Canadian Appraisal Company, Ltd.
Montreal and Toronto, Canada.

EEC partners and Washington. If he does, EEC will be seriously weakened, perhaps wrecked, and London at the least will be better off than before.

As EFTA's members come in, EEC may evolve mainly into an economic grouping. If there is any political cooperation, it is likely to be on a vague sort of confederation basis, as Macmillan himself noted in the House of Commons. The British no longer see a politically "strong" EEC as impairing Britain's sovereignty, mainly because de Gaulle is not pushing the idea as he used to.

Room for compromise. The primary problem is that of the Commonwealth countries. In this there is scope for compromise. Since the whole question revolves around compensations to these nations for the loss of their privileged entry into the British market, negotiations very likely will proceed on a tedious product-by-product basis.

Except for Canada's variety of manufactured products and textile products from India, Pakistan, and Hong Kong, what's mainly involved are agricultural products and raw materials. For produce of tropical and sub-tropical Commonwealth countries, the problem will be relatively simple. Some products will not have EEC tariffs. It seems probable the EEC countries, in fact, will extend to tropical Commonwealth members—particularly in Africa—the same status as France's associated territories in Africa.

For Canada, Australia, and New Zealand, however, the problem will be more complex. A factor that may ease the situation is that de Gaulle and Adenauer now think an EEC link with the Commonwealth might now be maintained because this would add strength to a new Europe.

British farmer. A domestic thorn in Macmillan's hand is the British farmer. Under the Rome Treaty, the existing British support system must be altered. At present, the British put few quantitative restrictions on imports of grains, meat, and dairy produce and buy in the cheapest market. To keep the British farmer competitive at home, the Treasury subsidizes him. In switching over to the Continental system of restrictions and tariffs on food imports, however, the British need the time to do it without hurting farmers and setting off a sudden rise in the cost of living.

In reaching a settlement on this issue, Britain will try to get some idea how high eventual agricultural prices are likely to go. This will naturally affect the level of demand for agricultural products from the Commonwealth. **End**

costs with help of Mobil Program!

World's largest manufacturer of heavy-duty, air-cooled gasoline engines reduces maintenance expense by \$25,952 per year!

Wisconsin Motor Corporation, Milwaukee, Wisconsin, is the world's largest manufacturer of heavy-duty, air-cooled gasoline engines. To help combat today's rising operating costs while maintaining its reputation for high quality products, Wisconsin Motor looks to a continuing Mobil Program of Correct Lubrication.

Through installation of preventive maintenance and lubrication schedules plus recommen-

dations for improved handling and application of lubricants, the Mobil Program brought about a reduction in maintenance cost of \$25,952 in 1960.

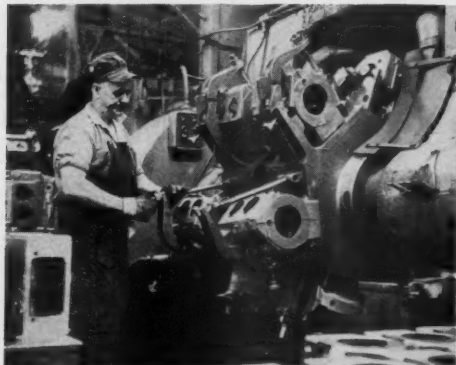
Your plant, too, could benefit from such a continuous cost-reducing program. For full information about the Mobil Program, contact your Mobil Representative, or write, Mobil Oil Company, 150 East 42nd Street, New York 17, N. Y.



Mobil charted all machinery in the Wisconsin Motor Plant and set up a program of scheduled lubrication and preventive maintenance. As a result, two maintenance men were freed to handle other duties with savings of \$7,663 annually. A Mobil suggestion on handling and disposal of waste oil and solvents meant additional savings of \$1,146.



Mobil Engineers analyzed storage and distribution practices for cutting oil used in screw machines . . . recommended that oil be purchased in bulk and piped directly to machines. Considerable savings were realized through quantity delivery discounts and reduced oil handling costs. Savings in 1960 totaled \$7,855.

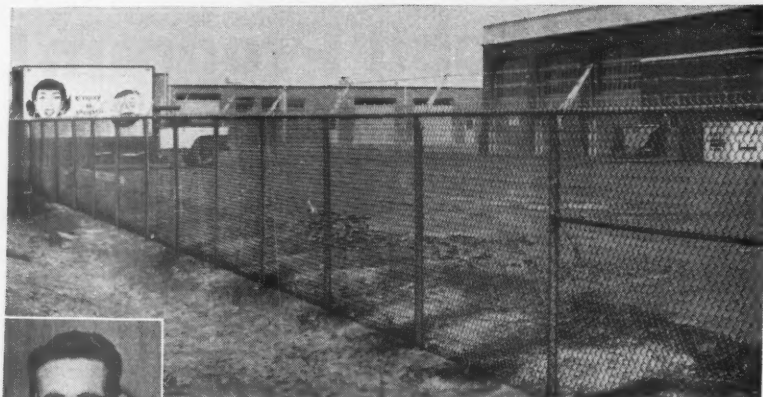


Careful adherence to specially developed Mobil lubrication and PM procedures reduced maintenance on rotary mills used in machining and finishing crankcase castings where an oil reservoir contamination problem was encountered. Savings: \$2,507 yearly.



Mobil recommended proper way oils and spindle lubricants . . . established correct application schedules, reducing scoring problems and maintenance costs on grinders and broaches. Annual savings to Wisconsin Motor: \$6,781.

Correct Lubrication



**"... makes a safe outdoor
'garage' for our 45 trucks..."**

says W. L. Hause, Assistant to the President,
Pepsi-Cola Bottling Co., Inc., Pennsauken, N. J.

"Our plant yard is a very necessary part of our operation, so our Anchor Fence must meet several needs. And it does. Keeps out trespassers, makes a safe outdoor 'garage' for our 45 trucks, permits outside storage of other equipment, too. It's ideal for traffic control. As for maintenance—our Anchor Fence is virtually repair-free."

For more information on how Anchor Fence can help your operation, call your local Anchor Man. For your free Anchor Fence Industrial catalog, fill out and mail in coupon at the right.

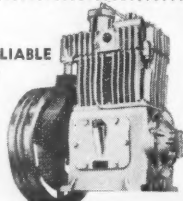


Plants in Baltimore, Md.; Houston, Texas; Whittier, Calif.
Sold direct from factory branches in principal cities.

ANCHOR FENCE
6527 Eastern Ave., Baltimore 24, Md.
Please send me my free copy of the Anchor
Fence Industrial catalog.
Name.....
Company.....
Street.....
City.....Zone.....State.....

Quincy IS air power

LOW-COST, RELIABLE
PERFORMANCE
BACKED BY
40 YEARS OF
SPECIALIZED
ENGINEERING
EXPERIENCE



As compressed air continues to do more jobs for American industry, Quincy Compressors maintain their leadership in efficiency, dependability and economy.

Models for all applications from 1 to 90 CFM.

Service across the country and around the clock.

Quincy
COMPRESSORS

QUINCY COMPRESSOR CO.
QUINCY, ILLINOIS
Makers of the World's Finest Air Compressors

for
years
of
loyalty
and
faithful
service...



THEY DESERVE A MINOX

This unique, miniature camera, suitably engraved, bespeaks your appreciation for a job well done. Each time it's used, greater goodwill is engendered. Loyal employees and officers who receive a Minox feel even greater loyalty. Company friends and customers regard it as a truly distinctive gift. The Minox is matchless as a camera, gift, or goodwill ambassador.

Write for our handsome brochure on Employee-Executive Recognition Programs.
KLING PHOTO CORPORATION
257 Park Avenue South, New York 10, N.Y.

WHY?
IS LIBERTY MUTUAL #1 IN
WORKMEN'S COMPENSATION
SEE PAGE 37

Quadros acts

**Brazil's president sets up
planning agency to
draft five-year economic plan**

While representatives of the American republics are meeting in Uruguay to map plans for the Alliance for Progress (page 79), Brazil's Pres. Janio Quadros this week trotted ahead with his plans for economic and social development.

Quadros this week established a National Planning Commission and charged it with delivering the nation's first five-year plan within six months.

The new agency will coordinate investment programs of federal and regional enterprises. It also will exercise considerable influence over private industry through its power to recommend government loans and measures regulating taxes, currency exchange rates, and tariffs.

Quadros, in explaining the move, said that the government can no longer leave the problem of increasing Brazilian per capita income to the "mechanism of the market."

Meanwhile, with an eye on the Uruguay conference, Quadros' legislative program for basic social and economic reforms is beginning to roll. But it will encounter powerful resistance before it becomes law.

Regional plan. The lower house of the Brazilian legislature has approved a master plan for developing the backward northeast area. It calls for spending \$29-million during the first year.

Quadros' plan includes land resettlement, roadbuilding, aid to agriculture, and inducements for industry. Opposition from the area's land-owning oligarchy, however, will slow the program.

The Brazilian president has also thrown his power behind a bill turned out by a special congressional Agrarian Reform Commission calling for reforms elsewhere in Brazil. It has drawn fire from landowners because it would indemnify holders of expropriated land on the basis of the taxes they pay.

For tax purposes, Brazilian real estate is notoriously underassessed. Quadros says: "I proclaim that which the nation already knows. Brazil's rural structure is out of date. Agrarian reform is no longer merely a theme for debate." **End**

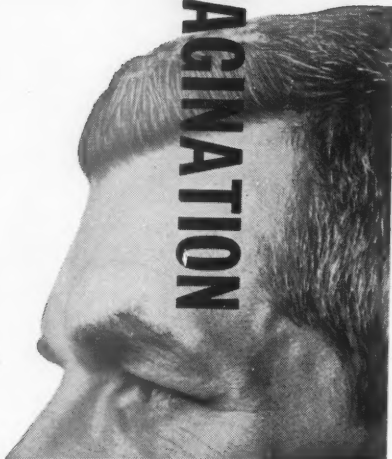


SPECIFIED

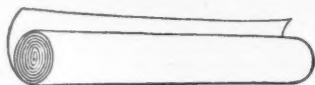
**REQUISITIONED ...
CALLED LOCAL OFFICE
... APPROVED.** These buying actions are a result of catalog use. Industry's buyers turn to catalogs to compare, specify and buy. The catalogs that are easiest to find are used most. That's why buyers regularly refer to the catalogs in Sweet's Files — and why 1800 leading companies serving the industrial and construction fields maintain their catalogs in Sweet's. They know these catalogs generate buying actions that lead to selling opportunities. Over 100 of these companies have made studies which prove this. For full facts, contact Sweet's Catalog Service, Div. of F. W. Dodge Corporation, 119 West 40th St., New York, N. Y.



IMAGINATION



ALL IT TAKES IS...



AND YOUR IMAGINATION

This is Patapar® Vegetable Parchment. Manufacturers and packagers all over the United States have increased product quality and profits by using Patapar in different ways . . . in different industries.

- In the manufacture and packaging of sticky substances—Patapar Releasing and Easy-Strip Parchments separate fast and easily.
- In food wraps—Patapar is absolutely pure, white and attractive, won't disintegrate in grease or moisture.
- In the electrical industry—the surface, rigidity and dielectric properties of Patapar Insulating Parchment make it ideal for winding coils on automatic machines.
- For diazo type whiteprint machines—as a master sheet, Patapar Translucent Parchment produces extremely sharp, low cost copies at extra fast reproduction speeds.
- For imparting a matte or semi-matte finish to plastics—the surface of specially treated Patapar Vegetable Parchments will often do the job performed by sand blasting or acid etching.

Your process? Only your imagination, combined with the facilities of the Paterson Parchment Research & Development Department are needed to discover how Patapar, applied to your manufacturing process, can mean . . . new or improved products, expanded markets, production savings or increased sales and profits for you. We welcome your inquiry.

PATERSON PARCHMENT PAPER CO.
Bristol, Pennsylvania
NEW YORK, N.Y., CHICAGO, ILL., SUNNYVALE, CALIF.

Patapar®

VEGETABLE PARCHMENT

U.S. motorcycle maker guns for foreign sales

Harley-Davidson, through its partnership with an Italian concern, is the first American motorcycle manufacturer to invest in production facilities abroad

Some 35 miles northwest of Milan in the little Italian town of Schiranna, a motorcycle factory is turning out a model called the Wisconsin—a name that must puzzle and tongue-tie many Italians.

The name acknowledges the 50% interest held by Harley-Davidson Motor Co., the big Milwaukee motorcycle maker in the company producing the Wisconsin—Aermacchi Harley-Davidson, S.p.A. Aermacchi came into being early last year as a joint venture of H-D and Aeronautica Macchi, S.p.A., bustling Italian airplane and motorcycle manufacturer. Aeronautica split off its motorcycle business and transferred it to the new company, selling 50% to H-D for an undisclosed sum, in order to concentrate on airplanes.

First to plunge. Although H-D has been making motorcycles for 58 years, this is the first overseas investment for it or any other U.S. motorcycle manufacturer. The deal puts H-D smack into the heartland of Europe's booming motorcycle market—Italy, which is also a major producer of motorcycles and scooters. H-D in the U.S. and Aermacchi in Italy will continue to produce their own lines of vehicles and market them independently, sometimes in competition with each other.

H-D, a company still controlled by the two families whose names it bears, is the biggest U.S. motorcycle maker, with 1960 sales totaling \$19.1-million.

Previously, H-D and its principal competitors, Cushman Motor Works, Inc., a subsidiary of Outboard Marine Corp., and Mustang Motor Products Corp., Glendale, Calif., a subsidiary of Gladden Products Corp., had confined their overseas business to export sales. Last year, the U.S. motorcycle industry exported some \$1.4-million worth of machines, parts, and accessories. None of the companies is willing to disclose precise export figures, but they generally agree that H-D is far in front.

Reasons for move. Now, H-D feels that it can pull further into the lead. By adding overseas production to its fast-growing, Milwaukee-based export sales operation, H-D says that it can capture a greater share of the expanding world market.

As of Jan. 1 this year, there were 20.7-million registered motorcycles around the world, including the Communist bloc, some 800,000 more than a year ago. H-D expects that this total figure will keep increasing for these reasons:

- The motorcycle is still important for family transportation in the underdeveloped parts of the world and even in highly industrialized Western Europe. It's less expensive to buy than an automobile and cheaper to maintain and run.

- Motorcycling is becoming an increasingly popular racing sport. Witness the large numbers of motorcycle meets taking place in Britain, West Germany, and Japan.

Some doubts. Some U.S. motorcycle makers in the U.S. don't agree with H-D's rosy forecast. They think that H-D will be hard put to meet European motorcycle competition, which has been getting tougher since World War II. There are 68 manufacturers on the European continent, with another 19 in Britain alone. In addition, they feel that the increasingly affluent West Europeans will turn from the motorcycle to the automobile.

H-D readily admits that there are dangers involved, but still insists that the world market will grow.

But market potential is only part of the reason why H-D decided to invest overseas. More important, H-D was faced with the same problem that has enticed U.S. business into heavy foreign investment—high domestic production costs compared to overseas.

Search for a partner. H-D wanted to add an "in-between" model to its product line. It already made large machines, small ones, and a scooter,

but needed one that was midway in price and weight. After designing such a model, H-D found that costs of tooling up for it were so high that it would have priced the machine out of the U. S. market. So the Wisconsin company scrapped the idea and went looking in Western Europe for the cycle it wanted.

Aermacchi made a version of the model that H-D was after. "That's what triggered the whole thing," says H-D Pres. William H. Davidson. As an afterthought he adds: "It was the combination of a need for an in-between machine and reaching the overseas markets."

Actually, H-D had been thinking of moving overseas before this, but was proceeding very slowly. About four years ago, the Milwaukee company started to talk about an overseas operation. Company executives went to Europe in 1957 and 1958 to look at motorcycle manufacturers. Still, they were in no rush. It wasn't until the need for the in-between machine was felt that H-D decided to stop talking and start acting. Aermacchi was the answer.

A meeting in March last year led to the formation of Aermacchi Harley-Davidson as a new company. Harley-Davidson, S. A., was set up as a Swiss subsidiary to administer H-D's interest in the Italian company and take on whatever other tasks of an international nature that may come up as the Milwaukee company feels its way into the overseas expansion. Eventually, there may be other foreign affiliations, say Davidson and William J. Harley, vice-president of H-D's new international division, though as yet there is nothing in the works.

Settling differences. To make sure that the new partnership would function smoothly, H-D and Aeronautica came up with a unique arrangement to settle any serious differences that might arise in the equal partnership. Each company turned over a share in Aermacchi to Lockheed Aircraft Corp. Lockheed holds the shares in trust and exercises only the right to vote in a standoff dispute.

Lockheed was a natural third party to this arrangement. Three months before the Aermacchi deal, Lockheed acquired a minority interest in Aeronautica under which the Italian company would produce a light utility aircraft under license. Now it is in the position of casting the deciding vote in a company in which it has no direct interest. As yet, Lockheed hasn't been called in.

Generally, H-D says, the situation with Aermacchi is working out satisfactorily. But "it's still bedding down," says Harley. "We're still



Offspring of joint venture by Harley-Davidson and Aeronautica Macchi, an Italian company, is the Sprint, a medium-sized motorcycle made in Italy by H-D's new affiliate Aermacchi Harley-Davidson, for sale in United States.



7-82

Is this the image your group insured employees have of you?

Every employer should be fully recognized for the many benefits he provides through group insurance. That is why Occidental created the Management Recognition Program for its policyholders. Through posters, pamphlets and take-home material, employees get a clear understanding of how management provides extra benefits for them and their families. MRP builds a strong image of you with your employees, helps you recruit valuable workers. And it is initiated and maintained by Occidental at no additional cost to you. Ask your Occidental representative about it. Or have your secretary write us.

OCCIDENTAL
LIFE INSURANCE COMPANY OF CALIFORNIA
HOME OFFICE: LOS ANGELES, CALIFORNIA

Scooter production by the joint company is in the planning stage . . .

Story on page 74

playing by ear in certain places," adds Davidson.

The Aermacchi model that first interested H-D now is marketed in Italy as the Wisconsin. H-D imports a slightly modified version back into the U.S. where it sells as the Sprint. This is the Milwaukee company's only import.

Beyond this import operation, H-D as yet has no plans in mind for its Italian affiliate. Presently, Aermacchi manufactures the same line of eight motorcycle models as it did before the H-D purchase. There are no plans for Aermacchi to produce any H-D machines for the European market.

Scooter plans. Scooter production by the joint company, however, is in the planning stage. Although H-D will not admit it, the aim might be to retaliate against Vespa and Lambretta for their inroads into the U.S. markets by attacking the Italian scooter manufacturers on their home ground [BW Feb.14'59,p50]. Lambretta alone has sold some \$22.5-million worth of scooters in the U.S. Aermacchi already is working on a prototype scooter that may go into full production early next year.

But even as things stand now, H-D is pleased with its first venture overseas. Aermacchi is in the black for its first fiscal year, ending this September. So is H-D's Swiss subsidiary.

Overseas sales. Meanwhile, H-D, whose motorcycles are marketed in Europe independently of the Aermacchi line, will have its own hands full. Abroad, H-D enjoys a less rarefied atmosphere than its preeminence gives it in the U.S., where it is the only sizable manufacturer of motorcycles. H-D and Aermacchi have to face competition from some 87 European manufacturers. Among the rivals is H-D's old arch-competitor, the Indian motorcycle, now made by Associated Motorcycles, Ltd., in England.

But while H-D is battling in Europe, it will keep its eye on what may prove to be a disturbing development. H-D has received reports that Japan will produce some 1-million motorcycles and scooters, plus 2-million mopeds, a light hybrid motorcycle, next year. So far, only a few of them are being imported into the U.S., says H-D, but the development bears watching. **End**

International outlook BW

August 12, 1961

Latin Americans debate in Uruguay

Battle lines in Latin America are being drawn clearly this week in Punta del Este, Uruguay. On one side is Pres. Kennedy's Alliance for Progress; on the other, Fidel Castro's 26th of July Movement.

At the inter-American ministerial meeting near Montevideo, Treasury Secy. Douglas Dillon has spelled out the details of the Alliance for Progress—a controlled revolution leading to a Latin American social order with political and economic values close to our own.

Cuba's Minister of Industry, Ernesto "Che" Guevara, agreed "a new age is beginning in inter-American relations." But he claimed it would come "under the sign of Cuba," not the Alliance for Progress.

In some respects, Dillon and Guevara themselves personify the difference in approach to Latin American troubles. Dillon, who has been poised, mild-mannered and dressed in a business suit, is promoting orderly change. Guevara, who has been flamboyant, vehement, and dressed in open-collared fatigues, is trying to export Fidelist revolution.

Dillon's promises

Dillon promised Latin America that not less than \$20-billion in foreign capital will flow into the region in the next 10 years. Some officials say privately this may not be enough.

In the beginning, at least, \$2-billion a year is slated to come from the U. S. government (\$1.1-billion), Inter-American Development Bank (IADB) (\$50-million), international financial agencies (\$300-million), U. S. private investment (\$300-million), Europe and Japan (a total of \$300-million).

How will aid be allocated?

The sticky question is not so much the amount of aid but how it's to be allocated and used.

Most Latin Americans want funds with no strings attached. But the U. S. wants assurance that the Latin Americans will (1) undertake domestic reforms necessary to correct basic economic and social ills, and (2) spend the funds on economically sound projects.

An Organization of American States group of experts suggested that a seven-man committee of Latin Americans coordinate and review the plans of each nation. A bloc of Argentina, Brazil, Chile, Mexico, and Peru, however, opposed this and got the conference to agree that an IADB panel should examine loans and review projects.

Because no nation will be obligated under this provision to submit its plans to the panel, some Latin American nations will be able to:

- Increase their political leverage on Washington by dealing directly with it.
- Escape some pressure to begin necessary reforms. If Washington insists, they can throw up the charge of "intervention."
- Indulge in less effective planning.

Problem: how to begin talks with Russians

The Berlin crisis eventually will lead to the conference table rather than the battlefield. Washington is pretty confident of that. The problem is how to get negotiations started.

Premier Khrushchev isn't giving Washington any help on that score. To be sure, he has proposed an East-West meeting in the midst of all his

International outlook **Continued**

military threats. But he keeps insisting that the discussions must be strictly on his own terms.

Will Khrushchev make an offer?

The West itself is divided on the question of whether the West should propose negotiations on Berlin. France and West Germany argue that it would be a sign of weakness if we took the diplomatic initiative before Khrushchev offers a reasonable basis for the talks.

At the Western foreign ministers meeting in Paris this week, the U.S. and Britain accepted the Franco-German view. No effort was made to formulate a Western negotiating position. Instead, the foreign ministers spent their time reaching agreement on what to do if the Berlin issue should come to a military showdown.

Negotiate from strength

Washington is content for the moment with this military stance. It fits with Pres. Kennedy's policy of negotiating from strength. Moreover, U.S. officials realize that any Western discussion today of how to reach a compromise with Khrushchev on Berlin could easily upset Chancellor Adenauer's chances of victory in next month's West German elections.

Once these elections are over, though, you can expect Secy. of State Rusk to press the French and Germans to work out an agreed negotiating position. Kennedy and Rusk aren't ready to see Khrushchev sign a separate peace treaty with East Germany.

New opening in Congo for Moscow?

The Congo's new political setup has unleashed a surge of optimism in the West. But take it with a grain of salt. The Congo may be headed for even deeper trouble.

Here's the story: A new central government was formed in Leopoldville last week by Cyrille Adoula, a socialist labor leader who reportedly is anti-Communist. Then Antoine Gizenga—successor to the slain Patrice Lumumba—dissolved his pro-Communist government in Stanleyville, falling in with Adoula.

This appears to be a crushing Soviet defeat. But look beneath the surface.

Maneuvering in Leopoldville

Moscow now has a fresh chance. By dismantling his puppet Stanleyville regime, Gizenga is free to join the central government in Leopoldville to work against it from within. Adoula has offered Gizenga the job of First Deputy Premier, Gizenga's lieutenants still other high posts.

Using a type of "coalition" tactic endorsed by Nikita Khrushchev last week in a new Communist Party program [BW Aug. 5 '61, p28], Gizenga hopes to depose the new premier, then take rein himself. Gizenga spokesmen have suggested as much.

EEC squabble over talks with British

A tussle has started inside the European Economic Community over who will negotiate with the British on Prime Minister Macmillan's bid to take his country into the six-nation EEC (page 56).

Prof. Walter Hallstein, chairman of the permanent EEC commission in Brussels, wants his group to do it. Paul Henri Spaak, Belgian foreign minister (and formerly NATO Secretary General), has offered to form a special committee of ministers from the EEC nation.

As the British see it, Spaak's committee would be easier to deal with. The EEC commission is supra-national, strongly federalist.

Contents copyrighted under the general copyright on the Aug. 12, 1961, issue—Business Week, 330 W. 42nd St., New York, N. Y.

Putting it up to the Big Three

Detroit bargaining must come to focus on Ford-GM-Chrysler reaction to American Motors' profit-sharing offer

By itself, American Motors can't set an industry pattern in dealing with UAW, but it especially challenges GM

UAW, meanwhile, seeks ways to avoid a strike, yet make gains that would sweeten the pot for its members

For many months Walter Reuther, president of the United Auto Workers, has been searching for a fresh concept to be written into auto contracts—something new that would sweeten the workers' bitterness over job insecurity and that would attract the eyes of the nation's other labor leaders.

A little more than a week from now, Reuther's search will take on meaning at Detroit bargaining tables. The Big Three auto companies must decide then how to counteract either with concept or money an American Motors Corp. profit-sharing offer to Reuther's auto workers.

Hard bargain. Reuther may have gained some sort of moral victory from AMC's offer [BW Aug. 5 '61, p98], since his own profit-sharing proposal of 1958 was quickly brushed off auto bargaining tables. However, he may not be able to accept the offer as it stands. AMC is proposing an astonishingly clever hard bargain that the union does not want to take. Even so, the AMC move has changed the face of auto negotiations.

During the first month of bargaining, the Big Three and UAW were content to hurl press agents' brickbats at each other, while driving toward a showdown over deferred pay increase clauses, the 2.5% annual improvement factor raise, and the cost-of-living "escalator" principle. These are still important, but AMC has added another dimension to the bargaining.

The only certainty at this point is that General Motors Corp., Ford Motor Co., and Chrysler Corp. do not intend to follow AMC's lead toward profit-sharing. Chrysler, in fact, has no profits to share.

GM nudged. GM, which has traditionally led the industry in establishing new labor relations concepts,

including improvement-factor and cost-of-living clauses, now finds itself nudged by an upstart AMC, which three years ago could not even meet the industry pattern in bargaining and which has only 23,000 hourly workers, compared with GM's 305,000.

UAW leaders, therefore, feel that GM will be under great pressure during the final two weeks of negotiations to submit an economic offer with some new principle, or perhaps a refurbished old one. Either that or GM's money offer must approximate AMC's profit-sharing plan in dollars and cents.

But this will not come up at bargaining tables until the week of Aug. 20, two weeks before Big Three contracts expire on Aug. 31. Although AMC made its profit-sharing proposal on July 28, UAW will not reply to it until Aug. 22. At that time, the union probably will ask for a modification of AMC's package. Then AMC and UAW can ease off to await Big Three developments, since AMC's contract doesn't expire until Sept. 6.

UAW wary. UAW's biggest problem now is deciding how to play AMC and the Big Three against each other to get the best offer from both sides and still avoid a strike. Despite some threatening gestures in the past week, UAW is more than ever wary of government intervention now that the Berlin crisis has toughened the Kennedy Administration's attitude toward strikes and high wage demands [BW Aug. 5 '61, p95].

The outcome of negotiations, then, depends a great deal on UAW's reply to the AMC offer, which, like a Trojan horse, is considered by UAW to be attractive yet menacing. AMC proposes to give its hourly workers 10% of the profits before taxes remaining after setting aside

10% of stockholders equity. At the end of each fiscal year, the company would put the "progress sharing" amount into a fund and let the union decide whether to divide it among workers as cash bonuses or add it to fringe benefits funds.

The offer looks good on the surface because in the last full fiscal year, ended Sept. 30, 1960, AMC earned \$105-million profits before taxes. Figuring on a stockholders equity of about \$223-million, the plan would have added some 18¢ an hour to the fund for each worker.

But in the first three quarters of this fiscal year, AMC's profits before taxes dropped to \$45-million. Even with a much better fourth quarter, the workers' share of profits under the plan could not go much higher than 10¢ an hour. The question is, will AMC have another \$105-million year in the near future?

What UAW would lose. The most indigestible item in the AMC package for UAW is a demand for elimination of improvement-factor and cost-of-living clauses. In return, AMC offers a 7¢-an-hour wage increase for each year of a three-year contract. This is roughly equivalent to the annual-improvement-factor increase, but UAW feels it would be foolish to let these basic escalator clauses slip out of its contract.

Nor is UAW happy about demands for reduction of coffee break and wash-up time from 44 to 24 paid minutes a day, and for revision of seniority clauses and work standards provisions. In addition, AMC would grant no increases in a new contract in fringe benefit areas, such as pensions, supplemental unemployment benefits, and health insurance.

Edward L. Cushman, AMC vice-president and chief negotiator with UAW, prefers to call the AMC plan "progress sharing." It is based on providing the worker with "his fair share of increasing productivity," Cushman says. He adds that it is an American Motors formula "not designed as a pattern for the auto industry or for any other industry."

UAW's first reaction to the proposal was cautious. "It's a start in the

a business proposal

to all companies using 10 or more business cars

Investigate fleetcar leasing—the Hertz way, described by leading companies as “the lowest cost sales-insurance we ever took out.” Find out how Hertz Fleetcar Leasing plans cater to the special needs of larger users of business cars. Discover how they’re tailored for companies which best benefit from the nation’s most extensive coast-to-coast leasing facilities, and from operating efficiency perfected over 30 years. Each “10-Plus” plan replaces your cars with brand-new Chevrolets, Corvairs, or other fine cars; assumes full responsibility for maintenance and repairs; and reduces the many annoying details of fleet administration to the writing of one budgetable check each month. Use coupon below to learn why more and more multi-car companies agree Hertz Fleetleasing makes the best business sense for them.



HERTZ FLEETCAR LEASING,
Att. H. F. Ryan, V.P.
The Hertz Corporation, 660 Madison Ave.
New York 21, N. Y. Dept. A-812

Please send me your new fleetcar leasing booklet.

NAME _____

POSITION _____

COMPANY _____

ADDRESS _____

CITY & STATE _____

NUMBER OF CARS OPERATED _____

right direction,” said UAW Vice-Pres. Norman Matthews.

Big Three skeptical. Big Three management was unhappy about AMC’s offer and privately skeptical of its timing. “Why do you think they adjourned until Aug. 22?” one Big Three negotiator asked. “They still want us to set the pattern.”

In 1958, when AMC had only begun to make profits, GM attacked Reuther’s profit-sharing proposal as “alien” to the American economic system. GM’s ideas have not changed.

UAW realizes this and does not intend to push profit-sharing on the Big Three. But the union wants to use it as a wedge to gain other concessions, preferably some new means of protecting worker security.

What UAW wants. For many months, Reuther has been casting about for such a concept. He has proposed, for instance, that auto companies create either an industry-wide or company-by-company automation fund. From such a fund, companies could meet the costs of reducing the work week without reducing pay, if unemployment should rise above a specified percentage. Or, says Reuther, the companies could create more jobs by reducing work time through paid sabbaticals, longer holidays, and shorter weeks.

Then, too, old principles could be polished up to appear new. UAW has asked the companies to increase the duration of SUB payments to 52 weeks. The present duration is 26 weeks in Michigan. The union also wants the companies to boost SUB payments by making combined SUB and state unemployment compensation payments equal 65% of gross pay rather than of take-home pay. Altogether, the old SUB remodeled along these lines would begin to take on more of the appearance of a guaranteed annual wage.

It is clear that Reuther wants something in this GAW area. He has proposed, too, that hourly workers be put on an annual salary. Although the companies do not take this demand seriously, it does point up Reuther’s search for a concept to fit his “bold new approach” to bargaining. He wants to lead the labor movement out of its current troubles, and the companies may agree that a moderately priced “principle” could avoid even costlier friction.

Strike threat. The companies believe that the first threat of a strike will bring the federal government to auto bargaining tables. Though UAW shares fear of government intervention, it is taking advantage of the companies’ worry about it.

This week, the union announced in a flare of publicity that its strike fund

would reach \$42-million by Aug. 31.

A few days earlier, Leonard Woodcock, UAW vice-president and director of the union’s GM Dept., warned that union members would not work during a no-contract period. In 1958, workers stayed on the job for 3½ months after contracts expired. Woodcock said the union may agree to a few days’ extension of the contracts, but no more.

Wage dispute forces Met to cancel opera season

The Metropolitan Opera Assn. jolted opera-goers in New York and tour cities early this week with a grim announcement: The Metropolitan had canceled its 1961-62 season because of “exorbitant demands” by its orchestra members, represented by the American Federation of Musicians.

The Metropolitan has had recurring union contract troubles in recent years as a result of the conflict between labor pressures for more money and increased welfare benefits and the association’s efforts to hold down costs in the face of perennially heavy deficits. According to Anthony A. Bliss, president of the association, the new crisis was “the most serious” of all.

Acceding to the musicians’ demands, he said, would add \$750,000 to the opera company’s annual deficit.

Pay scale. Orchestra members, represented by AFM’s big New York Local 802, had a weekly pay base of \$170.13 last season. The Metropolitan offered them this again in 1961-62, with a \$2.87 increase for 1962-63 and a further \$3 raise for 1963-64, to \$176. Together with more rehearsal pay and welfare benefits the Met said this would bring the total increase for the orchestra to 7% the first year, 7% more over the next two.

Initially, Local 802 asked for an increase to \$268 a week. A week ago it dropped its demand to \$248, still a \$78 raise.

The Metropolitan Opera Assn. twice before canceled its season plans, in 1948 and in 1956. Both times, it rescinded the cancellation when labor contracts were negotiated. A spokesman intimated that this could happen again, if terms can be reached before the opera’s top stars accept other engagements.

At midweek, hopes for a Metropolitan season rested on efforts of outside parties trying to bring the association and its musicians together. **End**

In labor

BW

Illinois seeks to counter unemployment by strict enforcement of work limits

Illinois plans to tighten enforcement of laws that require workers to have one day's rest in seven and that bar women from working more than eight hours a day. The laws will be relaxed for employers only on a showing of "an absolute emergency," the state warned.

Strict enforcement of the laws—on Illinois statute books since 1937—is intended to relieve unemployment, still high in the state.

If repeated requests for suspension of the laws are made by employers, they will be required to place orders for extra workers. Ordinarily, the state receives 15 to 20 requests a day from employers who want the laws relaxed. Exceptions will continue to be made in cases involving breakdowns and on a supervised basis in canning and other seasonal occupations. But, generally, employers must prove "emergencies" are real.

Curbs on subcontracting sought to tighten grip of unions on jobs

Unions are pressing for contract clauses to limit—or bar—subcontracting of work that can be done in plants by their own members. It's part of their campaign for more job security, today's big bargaining issue.

According to the Bureau of Labor Statistics, fewer than one of every four contracts of 1,687 analyzed limit subcontracting now. Only four bar it. Most of those that have restrictions permit the employer practice subject to certain limitations and usually with prior consultation with the union involved.

Southern Airways increases profits, revenue despite strike by pilots' union

Last week, Southern Airways, Inc., reported the highest six-month profit in its history and a healthy jump in total revenue. It also announced that it was purchasing five new planes. The optimistic announcements were particularly galling to the Air Line Pilots Assn., still technically on strike against Southern.

ALPA struck the airline in June, 1960, in a contract dispute. After some initial disruptions, Southern managed to restore service. It hired replacement pilots. Operations returned to normal, despite picketing and ALPA ad and boycott campaigns.

A year ago, mediation efforts that would have ended ALPA's technical—but ineffective—walkout broke up when the company demanded that returning strikers take lesser seniority than replacements, and that it be allowed to rehire only the pilots it wanted—not a number of former employees charged with "improprieties" in connection with the strike. ALPA refused to give ground on these points, or to agree to a contract clause

requiring pilots to "pre-flight" their aircraft, ordinarily a mechanic's job, ALPA complained.

Although Southern has cut costs sharply during its period of trouble with ALPA, it says its savings can't be tied directly to changes in labor policy. It cut by eliminating unprofitable flights and by "a general overall cost consciousness." Meanwhile, mail subsidy rate changes made possible closer figuring on costs, and adjustments where necessary.

The airline added 40% more flight mileage in June of this year, going into 15 additional cities, and passenger traffic shot up, despite the strike by ALPA.

Norge denies "runaway" charge in shutting Muskegon Heights appliance plant



Workers left the Muskegon Heights (Mich.) plant of the Norge Div. of the Borg-Warner Corp. for the last time last week as refrigerator and freezer operations shut down. The company is building a new plant at Fort Smith, Ark., and production will be concentrated there.

Between 1,200 and 1,800 Norge employees will be affected by the shutdown in Michigan. The Allied Industrial Workers Union, which represents them, is negotiating with the company for their relocation. However, the Fort Smith plant is not expected to begin operating until fall.

Although labor was quick to point to the Norge move as another example of "runaway" tactics, the company denied that the decision to close the Muskegon Heights plant was based in any way on "unfavorable" labor conditions there or in Michigan.

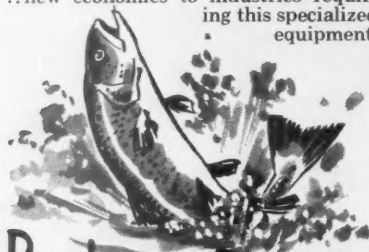
J. S. Sayre, chairman of the Norge Div., said that the company first expected to continue operating the Muskegon Heights plant to manufacture electric refrigerators and freezers and to use the Fort Smith facilities for the production of gas appliances.

A "downswing" in consumer demands in the entire appliance industry caused Norge to shift its plans and concentrate all work in the new plant, Sayre said.

EXPERIENCE

In one important respect, fishing and the manufacture of industrial equipment are alike...it's experience that produces results.

At Buffalo Forge, programs of creative research and product development in machine tools as well as air and liquid handling equipment are always underway. Not only to maintain a technical leadership, but to bring new efficiencies...new economies to industries requiring this specialized equipment.



Produces Results

Now in their 84th year, these programs are currently new and still exciting. In fact they are the kind of programs that enable Buffalo Forge to continue to produce the most advanced...the most effective...the widest range of related products. This, plus resident engineering representatives (college, field, and factory trained) in industrial areas across the United States and Canada, is your guarantee of getting the most reliable equipment and performance obtainable today.

The Buffalo representative in your area will be glad to call. Or write Buffalo Forge direct.

Remember



BUFFALO FORGE COMPANY
Buffalo, New York

Canadian Blower & Forge Co., Ltd. Kitchener, Ontario

'Buffalo' Air Handling Equipment to move, heat, cool, dehumidify and clean air and other gases.



'Buffalo' Machine Tools to drill, punch, shear, bend, slit, notch and cope for production or plant maintenance.



'Buffalo' Centrifugal Pumps to handle most liquids and slurries under a variety of conditions.



Squier Machinery to process sugar cane, coffee and rice. Special processing machinery for chemicals.



Dapple-gray Arab is put through its paces in ring strung with some of ribbons won at shows by Al-Marah "get."

HABITS

Bidders vie for purebreds

Success of auction indicates that Arabian horses are regaining their popularity

A mighty Arabian horse named Rapture reared high and pierced the night with his stallion's call last week, electrifying some 2,000-odd horse lovers collected for the nation's—if not the world's—biggest Arabian horse sale. The event was the third annual auction of Arab purebreds held just outside Washington, D.C., at Al-Marah Farms, owned by Mrs. Garvin E. Tankersley, of the Chicago McCormick newspaper family.

When the auctioneer hammered



Attendant in Arab costume shows one of Al-Marah's prize brood mares at Al-Marah auction near Washington, D. C., where 54 purebred Arabian horses went on the block. Night event is a pageant starring farm's prize-winning steeds.

down his bid for the last of the 54 Arabs owned or foaled at Al-Marah, Mrs. Tankersley had grossed \$135,550, or an average of \$2,660 a lot—more than \$600 higher than her two previous sales. Bidders ranged from individuals seeking a good riding horse to breeders who want to improve the bloodline of their own stock. They came from as far away as Canada and Bermuda.

The long auction day began early in the morning with a showing of the horses to be sold. Mrs. Tankersley presided at the microphone, telling the age, breeding, and potentialities of each horse as riders put the spirited steeds through their paces. In the afternoon, the horses were on display in stalls. Before the bidding began in the evening, there was a "pageant," a show of Arabs that had been bred or owned by Al-Marah Farms and had gone on to win first prizes in shows around the country. The sale itself took five-and-a-half hours.

Despite the "take," the receipts fell far short of meeting the expenses of running Al-Marah's 2,320 acres of farm in the rolling Maryland countryside. But the higher bidding indicates a growing interest in the Arab, which, although famous for its spirit, actually is gentle enough for women and children to handle easily.



Auctioneer William Porter chants his call for bids as Al-Marah's owner, Mrs. Carvin E. Tankersley, looks on. The stallion on the block stands on a revolving platform for display to the hundreds of bidders in stands around the auction ring.



Single-Place Gyrocopter by Bensen Aircraft Corp.

Looking for production savings?

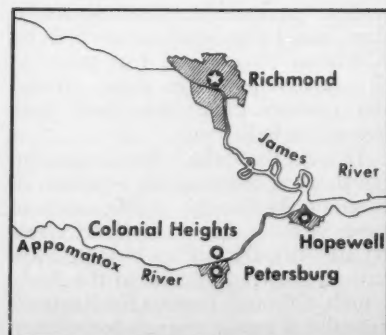
Look into Virginia's Capital Area

Every dollar saved on transportation brings down production costs. And you'll find many such savings in the Richmond-Petersburg-Hopewell-Colonial Heights area of Virginia. For here you can ship by six major railroads, plus 56 scheduled truck lines. You can enjoy excellent air service for both passengers and cargo. And there's a deep water channel for low-cost ocean freight. Ask VEPCO about other savings in Virginia's Capital Area. Write, wire or phone for site and economic data on its pleasant, conservatively-governed communities.



VIRGINIA ELECTRIC and POWER COMPANY

Clark P. Spellman, Manager—Area Development, Electric Building, Richmond 9, Virginia • MILTON 9-1411
Serving the Top-of-the-South with 2,086,000 kilowatts—due to reach 2,720,000 kilowatts by 1963.



Investors find 'oro' in Spain

Spanish securities, both banks and industrials, are the latest favorite of the international smart money set, with a startling growth record in the past year

Ever since foreign currencies became substantially convertible about three years ago, sophisticated investors have grown increasingly world-minded. They've gone far afield for stocks that promised big capital gains if international investment demand should increase.

In 1958 and 1959, they found rich pickings in West Germany, France, and Italy; last year, they operated in Austria. This year, Spanish stocks are the darlings of the international smart money set.

Acquiring charm. Several developments helped transform Spain from an investment wallflower into a Cinderella.

For one thing, the Franco government apparently nipped Spain's chronic inflation by imposing restraints on domestic consumption and by a devaluation in 1959 that helped to cut imports while boosting exports. These steps curbed the rampant peseta and greatly improved Spain's balance of payments.

Another factor in attracting astute international investors is a new set of rules that reverse the Franco regime's previously hostile attitude toward foreign investment. These permit some repatriation of profits. The government has strongly hinted that, by yearend, it will further liberalize these provisions, perhaps to the extent of allowing full repatriation.

I. Open door to funds

With the door thus opened, foreign investors are rushing in. Last month, the Union Bank of Switzerland formed an investment fund called ESPAC, especially to invest in Spanish securities. And the Rothschild and Montague interests in London are considering setting up their own fund to invest in Spain.

In April, before the new investment rules were issued, Merrill Lynch, Pierce, Fenner & Smith, Inc., opened in Madrid the first Spanish office of a U.S. brokerage house.

Stock-splitting. On evidence of broad interest among foreign investors, some Spanish companies

have split their stock, to bring the per-share prices down to levels that appeal to the smaller investor. Banco Central, which, like other banks in Spain, has a big portfolio of equity investments, recently split its own stock 10 for 1; Banco Hispano Americano split 12 for 1.

Carl Marks & Co., Inc., a Wall Street house specializing in foreign securities, reports that these splits are attracting a wide range of new investors. Marks is getting orders for Spanish securities in small lots now—from 30 to 40 shares.

Change of climate. This broadening of public interest has come extremely fast. The Spanish "boom" got under way only last year, when some of the more venturesome Swiss and German banks began to take cautious soundings on the Spanish situation.

At about the same time, a few avant garde private investors in Europe, feeling that their own markets were already high, began sizing up opportunities in Spain. Their money started going to Spain by way of the U.S.

In August, 1960, Carl Marks established a market on Wall Street in 15 Spanish stocks; it got what it thinks is the first license issued by Spain to a foreigner to act as a Spanish broker. Until last April, however, most of its business came from European investors. Then a large institutional investor—the kind that places about \$25-million of fresh funds each month—gave Marks an order to invest \$5-million in a list of representative Spanish stocks. Word of the order got around, stirring interest among Wall Street speculators.

II. Leverage in thin market

Ralph Millington, Marks' expert in Spanish stocks, describes market appreciation over the past few months as "fantastic."

In the year that his house has handled Spanish stocks, yields have dropped from 4.5% to 2%, but the price of the most active Spanish issues has more than doubled. Actu-

ally, the price increase has been even greater—several of these stocks boosted dividends during the year.

Some individual securities have blazed spectacular trails. For example, Banco Central last year was selling at \$54-\$55 a share; after its 10-for-1 split, it is selling at \$17.50, the equivalent of \$175 on the old basis.

One reason for such volatility is the thinness of the market for Spanish stocks. A relatively small increase in demand can mean a rapid rise in prices; by the same token, a small volume of selling could mean a steep drop.

Risk country. In the eyes of many local investors, Spain is a high-risk country. Investors on the local scene seem more enthusiastic about investing elsewhere. Merrill Lynch notes that 95% of the business done by its Spanish office is in non-Spanish securities. Much of this business comes from emigre Cubans who are anxious to put their funds to work. These, as well as Spanish investors, prefer to spread their investments abroad.

However, for knowledgeable speculators or for institutions that can thoroughly explore a situation, the potential gains may outweigh any risks. According to Arthur Wiesenberger, head of Arthur Wiesenberger & Co., who is just back from a tour of that country, Spain represents the greatest investment opportunity in Europe. But, he cautions, "it is mainly for big institutions which have the knowhow and the funds."

III. Buying what, where

Investing in Spain turns out to be less simple than it appears. The three Spanish stock exchanges—Madrid, Bilbao, and Barcelona—maintain a drowsy pace, staying open only an hour or an hour and a half each day. Model, Roland & Stone, a New York brokerage house that knows its way around in the Spanish market, advises caution in direct trading on Spanish exchanges.

Model characterizes exchange regulations as "very vague" and points

Just Out—8th Edition
POPULATION AND ITS DISTRIBUTION

The United States Markets
Compiled by the
J. Walter Thompson Co.

Classifies the results of the 1960 U. S. Census of Population and the 1958 Census of Retail Trade to help today's business and marketing man accurately evaluate American markets and make sound decisions concerning them. Eighth Edition, 400 pp., illus., \$24.00

10 Days'
FREE
Examination

THE SPENDERS

Eye-opening facts about today's consumers—what they buy... why they buy... how they buy. By Stuart Henderson Britt, Northwestern Univ. 293 pp., \$4.95

THE POWERFUL CONSUMER

Vital findings on how consumer attitudes and motives influence your business—all business. By George Katona, Univ. of Michigan. 273 pp., 34 illus., \$6.50

NEW FORCES IN AMERICAN BUSINESS

Expert predictions on prospects for the '60s. By Dexter M. Keezer, McGraw-Hill. 278 pp., 23 charts, \$4.75.

MODERN MARKETING MANAGEMENT

Just Out. Guidance on every step of profitable marketing—from product planning to sales promotion. By Ferdinand F. Mauser, Wayne State Univ. 502 pp., 37 tables & illus., \$7.95

HOW TO INCREASE SALES WITH LETTERS

Shows how letters can increase sales. By E. A. Buckley. The E. A. Buckley Org. 180 pp., \$5.00

THE NEW PSYCHOLOGY OF SELLING

How to make your customers buy. By Mel S. Hattwick, Continental Oil Co. 276 pp., 27 illus., \$5.95

Free Examination Coupon

McGraw-Hill Book Co., Dept. BW-8-12
327 W. 41st St., New York 36, N. Y.

Send me book(s) checked below for 10 days' examination on approval. In 10 days I will remit for book(s) I keep plus few cents for delivery costs, and return unwanted book(s) postpaid. (We pay delivery costs if you remit with this coupon—same return privilege.)

- ☐ Thompson—Pop. & Its Distribution, \$24.00
- ☐ Britt—The Spenders, \$4.95
- ☐ Katona—The Powerful Consumer, \$6.50
- ☐ Keezer—New Forces in Amer. Business, \$4.75
- ☐ Mauser—Mod. Marketing Mgmt., \$7.95
- ☐ Buckley—How to Increase Sales with Letters, \$5.00
- ☐ Hattwick—New Psych. of Selling, \$5.95

Name

Address

City Zone State

Company

Position

For price and terms outside U.S. write McGraw-Hill Intl., N.Y.C. 36 BW-8-12

out that disclosure requirements for companies traded on the exchanges are "very low by American standards." Moreover, Model questions if these exchanges maintain a continuous auction market. It says that a few leading Spanish banks actually control the greater part of any trading.

Bank stocks preferred. Shares of these banks appear the most attractive approach to Spain for investors. Most industrial common stocks are made out in bearer form; they are considered legally the property of whoever physically holds them. This is true of most other foreign stocks, but American Depositary Receipts are usually used by most actively traded European corporations; none are now available for Spanish securities.

Spanish bank stocks, on the other hand, are made out in the name of the buyer and are not negotiable without his signature. Then, too, unlike U.S. banks, they act as investment trusts, owning large blocks of common stock in a variety of enterprises.

In this, Spanish banks resemble American mutual funds, with the appeal of being vehicles for diversified investment. However, unlike American mutual funds, the banks can and frequently do win controlling blocks of a company's stock. In a land where companies can shroud their financial operations in almost complete mystery, the banks are able to offer protection for their investors through their inside knowledge of company operations.

There is a risk here, too. Millington of Carl Marks notes that the International Monetary Fund is completing a study of the Spanish economy that may well recommend that the banks' tight grip on Spain's industry be loosened. In capital-hungry Spain, such a recommendation could carry great weight.

Industrial shares. According to some investment men, direct purchases of Spanish industrial shares may be rewarding. They cite such stocks as Altos Hornos de Vizcaya, Spain's largest steel company, which plans to double its capacity in five years; Compania Telefonica Nacional, the recently denationalized telephone monopoly, and Compania Tabacos Filipinos, a survival of the old East India type of trading company with investments spread all over Spain's former empire.

Based on the price-earnings ratios that U.S. analysts use, Spanish stocks are not cheap. But since Spanish companies don't disclose their earnings in full, the price-earnings ratios are not very comparable.

Wall St. talks...

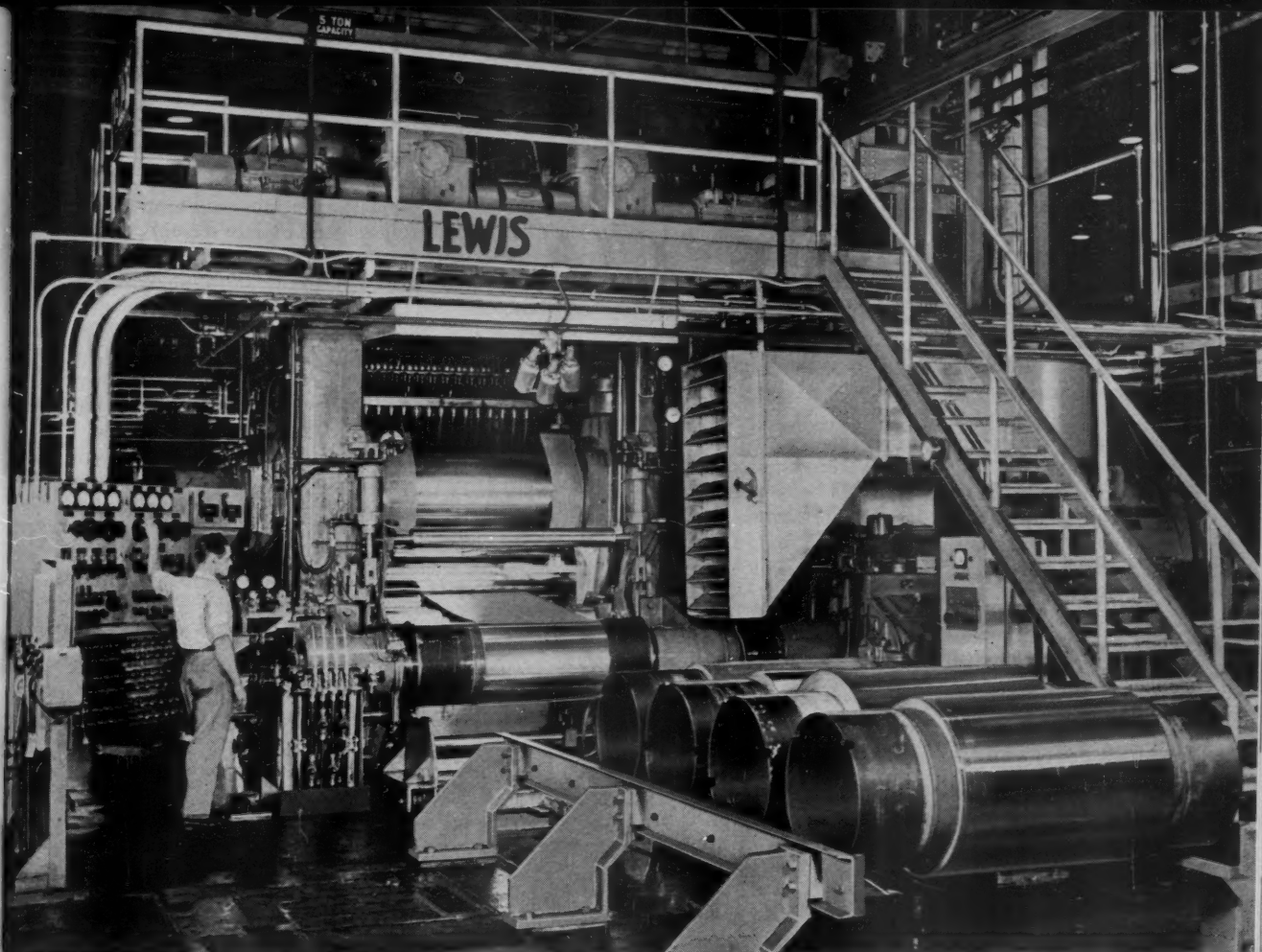
about Fed's credit policy,
Kerr-McGee, securities
investigation, Brunswick Corp.

Is the Federal Reserve shifting away from its policy of active credit ease? Some government bond dealers think that the Fed may be in the process of a slow and subtle change to avoid any "sloppiness." Fed officials, as usual, refuse to comment on the rumors. But one highly placed spokesman, while making clear that no turn to tightness was in prospect because there was no sign of any inflation, admitted that in making its projections the Fed may "err somewhat less on the high—or easy—side."

Kerr-McGee Oil Industries, Inc., which had a high of \$60 a share earlier this year before dropping to the low 40s, attracted some buying this week. Some analysts feel that **Kerr-McGee is incorrectly classified as an oil stock.** They point out that the company has become a highly profitable producer of uranium, which is the biggest contributor to net earnings, and also has been doing quite well as a producer of gas.

Although the House Commerce Committee unanimously approved the bill authorizing a \$750,000 investigation of the securities industry by the Securities & Exchange Commission, it will take some time before the inquiry gets under way. It has to pass the House Rules Committee before going into debate, then go through a similar process in the Senate—after which Congress must still appropriate the funds in separate legislation. But the prospects are that it will win approval during this session.

Shares of Brunswick Corp. dropped from 54 to 50 after it announced a \$150-million financing deal at "favorable rates" to finance its long-term receivables, with a group of banks providing \$100-million in revolving credit and Prudential Insurance Co. of America lending the rest in a 15-year loan. But the deal should be beneficial for Brunswick over the long run, because the company has been doing a good deal of its financing at up to 11½% in interest charges with CIT Corp.



Modern aluminum foil mill designed and built by Blaw-Knox

aluminum FOIL: pigs to precision at a mile a minute

The great, modern mills that process pig aluminum to glistening foil are part of a fabulous success story. A novelty 25 years ago, aluminum foil now accounts for more tonnage annually than the entire industry used at that time. In meeting the demand for more and more foil, producers have managed to squeeze minimum thicknesses from .030 in. to less than .0002 in. They can roll it twice as wide—up to 72 in.—and twice as fast.

Keeping pace with vast increases in foil production demands continued improvements in rolling technology. The

modern, high-speed aluminum foil rolling mill is just one example. Since the earliest stages of the art, Blaw-Knox has worked with aluminum foil producers to develop new and better techniques—faster mills, wider sheets, automatic control of gauge, tension and finished quality. Today, much of the foil produced in the world is rolled on mills built by Blaw-Knox.

The role of Blaw-Knox in the development of aluminum foil rolling mills is one more chapter in a long history of advanced engineering, manufacturing and construction services to industry and government. Blaw-Knox excels, too, where the immediate aim is to increase the efficiency, the productivity, the profitability of an enterprise. Investigate the capabilities and resources of Blaw-Knox for your improvement and expansion programs. Write for a copy of "This is Blaw-Knox." Blaw-Knox Company, 300 Sixth Avenue, Pittsburgh 22, Pa.



Blaw-Knox designs and manufactures for America's growth industries: METALS: Rolling Mills • Steel Processing Lines • Rolls • Castings • Open Hearth Specialties • PROCESSING: Process Design, Engineering and Plant Construction Services • Process Equipment and Pressure Piping • CONSTRUCTION: Concrete and Bituminous Paving Machines • Concrete Batching Plants and Forms • Gratings • AEROSPACE: Fixed and Steerable Antennas • Radio Telescopes • Towers and Special Structures • POWER: Power Plant Specialties and Valves

IMF action helps to strengthen the pound sterling, and also the dollar

The pound sterling was strong this week in foreign exchange trading, and so was the dollar. It was largely due to the skillful way in which the International Monetary Fund managed to make \$1.5-billion immediately available to the British government.

In all, nine foreign currencies were involved, with only \$450-million of it in dollars. Thus, the major part came in currencies of countries that have been building up their reserves at the expense of Britain and the U. S.—including \$270-million each in German Deutsche marks and French francs, \$120-million each in Italian lire and Netherlands guilders, \$90-million in Belgian francs, \$75-million each in Japanese yen and Canadian dollars, and \$30-million in Swedish kroner.

In the past, IMF has usually provided credits in the form of dollars. This time, recognizing that the dollar would be under pressure if it was used as the main source of the credit, IMF decided on a large-scale multi-currency approach with a minimum impact on the dollar. This plan may be used in future drawings.

Moreover, IMF is replenishing one-third—or \$500-million—of its holdings of the nine currencies by using gold out of its reserves to purchase them on a basis proportionate to the amount being used. Thus, the U. S. gets \$150-million in gold, which will bolster its gold stock. International bankers speculate that IMF decided to use its gold as a “sweetener”—in order to insure that the nine nations would go along.

Presumably, the gold payments will also result in a lessening of demand for U. S. gold by foreign countries. IMF has sometimes been criticized for “gold hoarding,” but since 1957 it has used \$600-million to buy dollars with gold, and last year used \$800-million in gold to buy U. S. Treasury securities carrying a gold guarantee.

Skouras parries attempt to oust him as head of Twentieth Century-Fox

Twentieth Century-Fox dipped to 37 (1961 low: 36¼; high 55¼) as rumors of a fight for control resounded in Wall Street. But for the moment, Spyros P. Skouras, its veteran president, appears to have beaten back attempts to kick him upstairs.

Directors critical of Skouras' management had called a special meeting this week. Widely circulated rumors hinted that Skouras would be forced to relinquish the presidency and accept the now vacant post of chairman. Instead, the directors emerged from the meeting with a unity statement and the announcement that William C. Michel, who has been a Skouras aide, would function as chairman of the executive committee with the same powers as the president. But Skouras is still in command.

Twentieth Century must still solve the basic problems that precipitated the meeting. Last year, the company

racked up a \$13-million loss on film studio operations. It has now shifted from making mainly second-run films over to producing high-budget spectacles. While it has big expectations for the eventual earnings of these “blockbusters,” the company may encounter financing strictures before they are released. It probably will invest at least \$20-million in three of these films—Cleopatra, The Longest Day, and The Greatest Story Ever Told. Yet none of these films will be shown before 1962.

Twentieth Century has been more than making up its operating losses in recent years by special credits from sources such as the sale of studio land. But this practice disturbs the dissident directors. One of them, Milton S. Gould, a New York lawyer, says: “This company has been living off its fat for three years. I am opposed to the practice of selling assets to generate spurious income to offset real operating losses.”

SEC modifies proposed rule to curb ‘deceptive’ investment ads

The Securities & Exchange Commission this week was circulating a modified form of its proposed rule to curtail “fraudulent, deceptive, or manipulative” advertising by investment advisers.

The changes, stemming from comments invited by SEC, soften somewhat three of the original proposals promulgated last April. The definition of “advertisement” has been revised to exclude a personal conversation with a client or prospective client, or a personal letter sent to only one person. The industry commented that the original definition was so broad that it would have encompassed even face-to-face conversations between an investment counsel and his prospective client.

A second change deals with advertising that calls attention to past recommendations of an investment adviser.

Under the revised proposal, the rule would not prohibit an advertisement that sets out either a list of all recommendations made by the adviser over a preceding period of not less than one year, or is a truly representative list showing unprofitable, as well as profitable recommendations.

The third change deals with advertising offering technical “methods” and “systems” approaches of investing. The original proposal would have required that any such advertisements fully disclose “in close juxtaposition and with equal prominence” the limitations and difficulties with respect to its use.

The industry suggested that this clause should apply only to advertisements offering graphs, charts, formulas, or other devices, pointing out that the broad reference to “methods” and “systems” might make it appear that it was intended to apply to every offer of any investment advisory service. Since this broad effect was not intended, SEC revised its proposal. In addition, SEC modified the requirement that limitations and difficulties in the use of graphs, charts, etc., be disclosed. Now this disclosure need not be repeated on each page of the advertisement or on each graph or chart.

August 12, 1961

Mountaineering takes you away from it all

The six-man Italian team that recently conquered the tough south face of 20,000-ft. Mt. McKinley did so after a lifetime of preparation. Clearly, this kind of exploit is in professional territory.

But on a less stratospheric level, **mountaineering** can be exhilarating and rewarding—with much less time and training involved. It's one sure way to escape telephones, superhighways, TV, chrome, and neon. And—surprisingly—people go mountaineering fairly close to many cities in the U.S.

Moreover, as a businessman, you won't feel like an oddity in a **mountaineering group**. A typical mountain climbing club includes all ages up through the late fifties, both sexes—and though their backgrounds are apt to be quite disparate, they'll be active, interesting people, not unlike the cross-section you might meet on a serious deep-sea fishing trip.

Take a trial trip with the pros

First, there's an important distinction between hiking in the mountains or just off the beaten path, on or off trail, and "mountaineering," which involves training, techniques, and special gear.

Whenever you get on snow and ice in the high mountains, or try to climb anything steeper than 55 degrees, you're mountaineering—using ropes, ice axes, pitons, carabiner, and the like, and traveling in an organized team.

A practical way to taste this is to vacation in a national park like Grand Teton or Mt. Rainier in this country, or maybe at one of the famed European centers such as Chamonix in France or Switzerland's Zermatt. You can get top professional guides, and rent equipment.

About the only requirement is good physical condition—plus some strong motivation. The guides do the rest, and at remarkably low fees. Climbing the Grand Teton, for example, costs only \$35 for the two-day trip, including a quick but safe training course in basic mountaineering.

Or a mountaineering club in your city may run weekend practice climbs in the area, with a well-rounded program for training beginners. To start, you won't need any special equipment—the club will have the ropes and other gear. All you need are outdoor clothes and tight-fitting tennis shoes.

Rules of the sport

In time, you'll learn such basic things as **friction climbing** (how to walk up a steep incline), **chimneying** (climbing up narrow vertical fissures), **belaying** (protective rope work), and **rappelling** (lowering yourself down a cliff with rope). There'll also be heavy emphasis on safety.

When you get to a climbing area, the group will split up into teams or "ropes" of three or four, each with its own leader. In a well-organized club, you can be confident that your leader has proved himself in action.

He is apt to impress you with a few all-important rules at the start—for instance, remembering that following the leader's commands can be a matter of life or death.

The safety-prone attitude of old hands at the sport may seem slightly overdone when you're still on level ground getting your preliminary instructions. It won't seem so the first time you are 100 ft. up a sheer cliff.

Club activities

Best-known Eastern group is the Appalachian Mountain Club, with headquarters at 5 Joy St., Boston. AMC covers the Northeast.

In Washington, the Potomac Appalachian Trail Club schedules year-

Personal business Continued

round weekend climbs at practice areas in Maryland and Virginia. In Chicago, there's the **Chicago Mountaineering Club**; in Denver, the **Colorado Mountain Club**; and on the West Coast, the **Sierra Club** in San Francisco, and the **Seattle Mountaineers**. There may be other groups in your area.

Besides rock climbing, most of these clubs sponsor training and activity in such things as mountain hiking, whitewater canoeing, and skiing. They have some armchair activities, too, such as showing picture slides, and conservation work on a political level.

Where to buy your gear

Two final pointers:

- **Purchase of quality equipment**—which you'll want to discuss first with old hands—isn't easy, because very few sporting goods outlets carry this line. Among the few that do are Camp & Trail Outfitters, 112 Chambers St., New York; Holubar Mountaineering Equipment, 1215 Grandview Ave., Boulder, Colo.; Gerry Cunningham, Ward, Colo.; and Trailwise, 1615 University Ave., Berkeley, Calif.

- To read up on the sport, Kenneth A. Henderson's **Handbook of American Mountaineering** (Houghton Mifflin, \$2.75), and a booklet, **Fundamentals of Rock Climbing** (Massachusetts Institute of Technology Outing Club, \$1), are excellent.

Keep track of prices paid for stock

A recent Internal Revenue Service ruling serves as an important reminder: If you hold stock in one company bought in several lots at different prices, you should record the prices you paid for each lot. Then when you sell part of your holding, you can substantiate the amount of your gain or loss by identifying the particular lot sold.

Here's what to do when you sell stock left in your broker's custody:

(1) Specify in writing in which order you want the stock sold. (2) Identify the shares to be sold by purchase date, cost, or both. (3) Make sure that you keep the broker's written confirmation of your order.

If you follow these steps, the stock you selected is treated as sold, even if your broker delivers a different lot.

Note: You cannot use the average price of various lots to compute gain or loss for income tax purposes.

Incidentally, don't let the IRS crackdown on travel and entertainment expenses concern you when considering tax deductions for conventions or meetings held at resort areas. IRS now reminds businessmen that these are still deductible costs when clearly shown to represent business activity—even though incurred in pleasant vacation surroundings.

Executive bartending

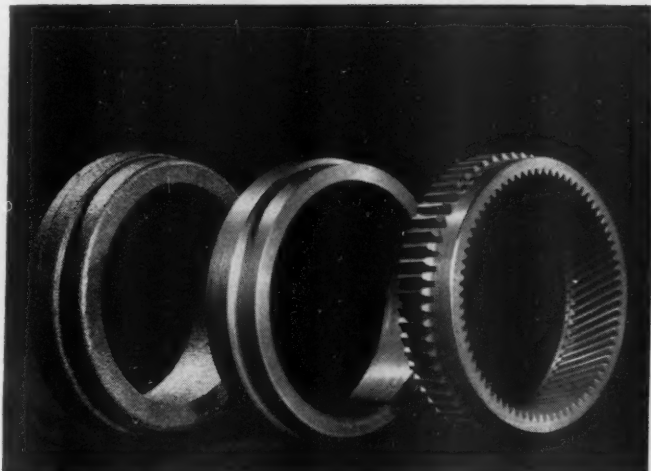
Here's a recipe for a new summer refresher called French Breeze: Pour 2 oz. each of apple brandy and grapefruit juice into a cocktail shaker one-third full of cracked ice; add two dashes orange-flower water (a flavoring available at drug stores) and ¼ tsp. fine granulated sugar. Shake well, pour into 12-oz. highball glass, then fill glass with chilled champagne and blend.

Trip to space?

While there have been no takers yet, astronauts can get special insurance.

Mutual Benefit Health & Accident Assn. of Omaha offers coverage, appended to a basic accidental death travel policy. Premium is \$26.60 per \$1,000 up to \$25,000 of coverage—with a refund if flight is not made.

Contents copyrighted under the general copyright on the Aug. 12, 1961, issue—Business Week, 330 W. 42nd St., New York, N. Y.



CONSISTENT QUALITY CUTS REJECTS: Republic Type 4047 Hot Rolled Alloy Steel is used in planetary ring gears produced by the Warner Gear Division of Borg Warner Corporation. The alloy is forged, rough machined, broached, hobbed, and heat treated. Production records prove that the uniformity of Republic Alloy Steel has reduced reject rate and scrap loss. Uniform response to heat treatment assures maximum resistance to shock, strain, and wear. Mail coupon below for data on alloy steel.



NEWEST METHODS SAVE YOU MONEY: Republic Formed Parts "Specials"—made to your specifications—can be cold formed, hot formed, extruded, upset, or produced by combinations of these processes. Complete machining, heat treating, and surface finishing equipment available. Republic has produced over 12,000 "Specials" for customers. This one-source operation, with built-in economies and quality controls, can save you time, money, and problems. Call your Republic representative or mail the coupon.



CONCENTRIC TUBE CUTS MACHINING: Eaton Manufacturing Company is using low-cost Republic ELECTRUNITE Mechanical Tubing as the internal drive shaft in their power steering pumps. Tube's concentricity minimizes machining requirements on the ID and OD of this bushing. Use in this hydraulic application also underscores the structural soundness of ELECTRUNITE Mechanical Tubing. Here is premium quality at low cost. Available in carbon or stainless steel. Talk to your Republic salesman or mail the coupon.



REPUBLIC STEEL
REPUBLIC HAS THE FEEL FOR MODERN STEEL

REPUBLIC STEEL CORPORATION

DEPT. BW-2435

1441 REPUBLIC BUILDING • CLEVELAND 1, OHIO

Please send more information on:

☐ ENDURO® Stainless Steel ☐ Formed Part "Specials"
☐ Alloy Steel ☐ ELECTRUNITE® Mechanical Tubing

Name _____ Title _____

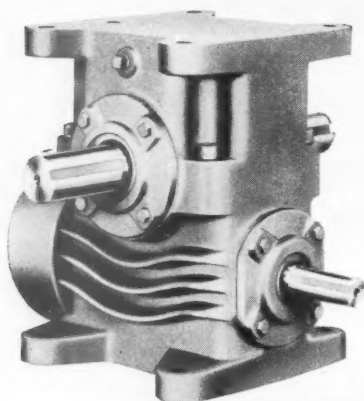
Company _____

Address _____

City _____ Zone _____ State _____



A Morse answer



Eberhardt-Denver
powerGear®

*...when the problem involves
heavy duty and reliability*

- High horsepower capacity
- Overize shafts
- Extra-large bearings
- Heavy-duty gearing
- Universal mounting
- All types available
- Fractional to 53 hp. loads
- Ratios 5:1 to 3600:1
- Center distances 2" to 7"
- Distributor-stocked

Got a speed-reducer problem? Call your
Morse distributor in the Yellow Pages.

MORSE

A BORG-WARNER INDUSTRY



Morse Chain Co., Dept. 3-81, Ithaca, N.Y. Export
Sales: Borg-Warner International, Chicago 3, Ill.
In Canada: Morse Chain of Canada, Ltd., Simcoe, Ont.



Women have definite opinions about packaging. They want ease of opening . . .

MARKETING

The perfect package; it's not here yet

Survey finds the housewife wants something easy to open
and store, pretty, and honestly labeled. For all
that, it's not the wrapping that rules her marketing choice

You can get some idea of what the American consumer thinks about packaging from the cartoons on this page. They are based on a many-city survey by Market Facts of Chicago, aimed at finding out how important packaging is to consumers, what kind they want, how much they are willing to pay for it, and what they dislike most.

Results of the survey were made public at a timely moment, for packaging has been in the spotlight this summer—mostly a very unenthusiastic government spotlight. Mixed into the summer's doings have been Congressional hearings on the ethics of packaging, a campaign by the Food & Drug Administration, industry soul-searching as it prepares a defense, market research on how to make the package an appealing yet honest salesman, and studies on how packaging can cut the costs of

retailing by time-saving devices.

Since mid-July, FDA has filed 43 seizure actions in federal courts aimed at foods it says are short weight or otherwise improperly labeled; it has asked U. S. attorneys to file 24 more seizures. FDA's campaign is based on the Federal Food, Drug & Cosmetic Act, which requires that such information as ingredients and net contents appear conspicuously on labels.

Food & Drug Commissioner, George P. Larrick says the campaign was prompted by a growing stream of complaints during several years when pressure of other duties kept the agency from giving "adequate attention to honest packaging and prominent labeling in the food field." He adds: "Continued abuses are being borne out by the survey now under way."

The FDA activity comes on the



... and packages that are reusable



... packages that fit pantry shelves



... packages with pull tabs, spouts,

heels of a Senate inquiry headed by Sen. Philip A. Hart (D-Mich.) into allegedly deceptive grocery packaging. Hart has recessed the hearings until after Congress adjourns; then industry will have a chance to answer the charges brought by consumer groups, which had complained that net contents were too often obscure, that contents didn't fill packages, and that such phrases as "giant half-pound" were misleading. Hart has refused to draw any conclusions until industry has a chance to explain the problems of packaging in a self-service world.

Consumer views. Meanwhile, Chicago Printed String Co. called for the Market Facts survey, which sought the consumer view by interviews in depth and broad statistical sampling in cities of assorted sizes.

I. The consumer speaks

Some of the findings of the survey—which was heavily weighted to women shoppers—supported charges made at the Hart hearings. A significant number of consumers felt that the cereal companies should make their boxes just big enough to hold the cereal. Other frequent demands were for more conspicuous printing of net contents, less advertising on the label, and more honesty.

From the point of view of the marketer, the survey came up with other features that were more meaningful than the complaints:

- Although women have quite definite opinions, pro or con, about

packaging, they pay only minor attention to packaging in deciding what brand to buy. Of the five top factors in choosing, packaging was outranked by the shopper's own experience, recommendations of friends, price, and advertising.

- The role of packaging became more important in choosing between very similar products; in such cases, 63% of the shoppers said it carried some weight. And what the housewife was looking for in the package was ease of storage, ease of opening, ease of re-closing, durability, size-and-shape, attractiveness, and legibility.

- Both men and women are willing to pay extra for convenience in packaging—spouts, pull-tapes, plastic containers that can be used again. But nearly half of the replies stressed that the U.S. is overpackaged.

- In an age of drip-dry clothes, frozen foods, and instant mixes, the shopper has acquired virtual immunity to the word "new" as a sales message. As one woman said, "You can't find anything old any more." At the same time, there was a slightly paradoxical tendency to rate a company as "progressive" or as selling an "improved product" when it changes its package. Market Facts says women simply have come to expect manufacturers to come out with something "new."

- A large majority in the survey admitted to buying products because of premiums and coupons; but a surprisingly strong minority actually resented them.

Pet peeves. In a shopping world

full of strong opinions, the survey found a whole group of pet peeves that turned up consistently enough to carry weight.

Hard-to-open packages drew considerable fire, but not so much as ones that were hard to close after first use. Easy-to-open was a frequent compliment, while such products as sugar and flour in sacks were vigorously criticized. Said one woman, "They're stronger than I am."

Apart from opening and closing troubles, many women resented the wide variation in the size of packages, especially for products such as cereals. "It would be nice if they considered the design of a pantry shelf in designing those cereal packages," said one. "There's no reason why the boxes have to be tall and thin." Generally, the interviewers found that for cereals, short, squat boxes were the favorite.

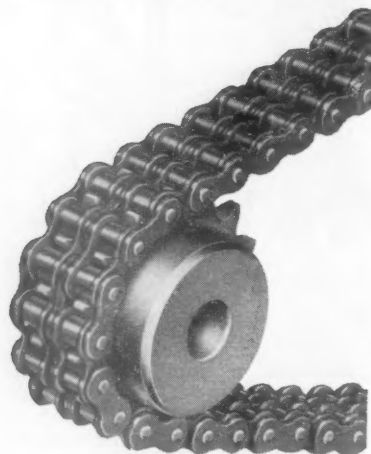
II. More convenience

For manufacturers, the survey brought the news that all the time and money they spent on package design had not persuaded the customers that packages were convenient. In fact, 85% of all answers told of having been hurt one way or another in opening a package. Mostly, this stemmed from having to use tools; women were especially bitter about having to use knives to get at fresh frozen strawberries.

What they want. The survey showed clearly that the housewife wants still more convenience in pack-



A Morse answer



roller chain

...when the problem involves service life and performance

Superior fatigue resistance

Increased horsepower ratings

Statistical hardness control

Electronically controlled pitch

All parts automatically inspected

Drive-design service

Distributor-stocked

Got a chain problem? Call your Morse distributor. He's listed in the Yellow Pages.

MORSE
A BORG-WARNER INDUSTRY



Morse Chain Co., Dept. 3-81, Ithaca, N.Y. Export
Sales: Borg-Warner International, Chicago 3, Ill.
In Canada: Morse Chain of Canada, Ltd., Simcoe, Ont.

**'I opened the sugar bag,'
this is hardly stimulating
conversation . . .**

Story on page 106

aging, though she gives the manufacturers points for having done fairly well by her already.

Thus, a considerable number said that on \$1 articles they would be willing to pay an extra 5¢ for some such convenience as a spout or a pull tab. Women want to save the time they spend opening groceries. Said one articulate soul: "I think the whole problem with women in packaging is the fact that if you are married and your husband comes home at night and says 'what did you do today?' and all you can say is 'I opened the sugar bag,' this is hardly stimulating conversation for the dinner table."

Women want better directions printed on the packages, both on how to open the package—they resent gimmicks that don't work—and on how to cook the contents. Too often, the survey revealed, the instructions are printed on an outside wrapper that the housewife throws away.

Boxes that pour easily, for foods like cereals, are widely sought. So are perforated boxes that can be torn away as the contents are used. And the shopper wants the weight printed in large letters on the "economy size" package, so she can make comparisons.

Objections to the use of superlatives like "jumbo size" in describing packages were among the complaints that popped up at the Senate hearings earlier this summer. But, according to the Market Facts survey the housewife isn't outwitted by the terms. In fact, though she wants to see the quantity clearly labeled, many realize that cost-saving isn't always involved in big packages. Twenty-five per cent of those questioned in the survey buy the bigger size for convenience, not for economy.

All in all, if the housewife had her druthers, she would get an easy to open, reusable, easily stored package, decorated in bright colors to show how the food would appear on her table. What makes her mad are premiums she has to send away for, or premiums she doesn't want that do come with the package. Most vehement of all, says the survey, are mothers "when discussing offers on packages aimed at attracting children." **End**

**TURN SCRAP HANDLING
INTO
A PROFIT!**



Segregated scrap brings higher prices. Add the convenience of easier collection and handling, and in most cases you can convert scrap handling from a loss into a profit. Hundreds of industries now use Roura Hoppers to collect scrap metal. They're placed alongside machines or in strategic locations. When full, a lift truck operator picks up loaded hopper—transports it—releases latch. Hopper automatically dumps itself, rights itself, locks itself. Eight sizes, 1/2 to 4 yards capacity. Made of 3/16" steel plate, also stainless or galvanized. Standard models from stock.



DUMPS ITSELF



RIGHTS ITSELF



LOCKS ITSELF

ROURA Self-Dumping HOPPER

WANT MORE DETAILS? Just clip this coupon to your letterhead and mail to

ROURA IRON WORKS, INC.

1407 Woodland Ave., Detroit 11, Michigan

WHY?

IS LIBERTY MUTUAL #1 IN
WORKMEN'S COMPENSATION

SEE PAGE 37

The nicest things happen to people who carry
FIRST NATIONAL CITY BANK



**TRAVELERS
CHECKS**

Member
Federal
Deposit
Insurance
Corporation

WHY?

IS LIBERTY MUTUAL #1 IN
WORKMEN'S COMPENSATION

SEE PAGE 37

GO WEST

where the real growth is...

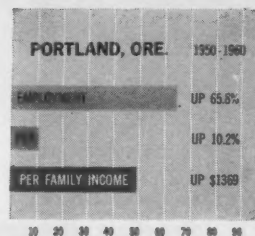
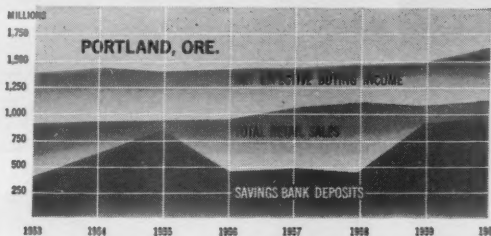
PORTLAND

for instance

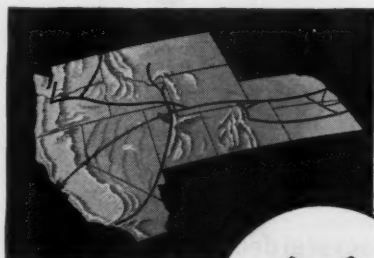
Locate your new plant or warehouse in the famed "City of Roses"; one of the West's most active population centers where growth in manufacturing value is 27.7% above the national average



FOR SALE OR LEASE 135 acres of fully developed sites in Union Pacific's Rockwood District tract



Locate in the West—where 9 out of 10 industrial markets are outpacing the national growth.



Portland is to be counted among those amazing areas of the West where industrial growing pains are constant and spreading. One look at the above charts tells the story.

One of the choice locations (pictured here) is approximately 10 miles from Portland's downtown business center and immediately accessible to Union Pacific main line and U.S. Hwy 30. Streets are paved; all utilities are in; some nationally known industries are now located in Rockwood. 135 acres are still available.

When you locate in Portland you locate along the route of the Union Pacific—the road that has helped spearhead industrial growth of the West since the rails first opened the territory. Its modern facilities and equipment are a promise of fast, reliable freight service.

For more detailed information on this or other sites in the West see your nearest Union Pacific representative, or address

Industrial Development Department
UNION PACIFIC
 Railroad
 OMAHA 2, NEBRASKA



it's pretty revolutionary ...



... some of it's perplexing ...



New graphic design jazzes up ads

A more free-wheeling treatment of art is replacing the stereotyped form that has been prevalent in U. S. advertising for several decades

A new Madison Avenue tool is in the making. The pictures are samples of a new graphic design that, its advocates believe, will set the pattern for planning and production of advertising, products, and corporate

image-building in the next decade.

The exhibition, sponsored by the American Institute of Graphic Arts and featuring the work of Ladislav Sutnar, opened last week for a month's stand in the Pepsi-Cola



... but on the whole it's exciting



New York exhibition featuring works of Ladislav Sutnar shows examples of the new trend in art for advertisers

Building in New York. From there it will tour major cities around the country. The show originated at Cincinnati's Contemporary Arts Center, in cooperation with Champion Paper & Fiber Co., Hamilton, Ohio.

The basic concept of the new design is away from the stereotyped form that—many designers feel—has beset mass media, and toward a more free-wheeling treatment of art. Pushing the trend is the impact of foreign imports and foreign advertising.

Promoter. One of the chief boosters is Sutnar, a Czechoslovakian-born designer who came to the U. S. in 1941. Since then, he has designed books, catalogues, advertisements, and trade-marks. Until last year, he was art director for Sweet's Files, a file of catalogues de-

signed, printed, and distributed by F. W. Dodge Corp., a McGraw-Hill subsidiary.

Sutnar, who credits the new school to European designers, lays out his contention in his new book, *Visual Design in Action* (Hastings House, \$17.50). He claims that U. S. industry, from an advertising point of view, has only recently gazed beyond its own shores.

With new graphic design, Sutnar says, there are no rules, simply "objective thinking that determines harmonious balance between usefulness (the appeal to the mind) and appearance (the gratification of the eye)."

Sutnar says U. S. advertisers now believe that the American public's taste has improved to the point where it will be demanding quality and

variety "not geared to the average." He adds that the "new market is not likely to be satisfied with the boredom that breathes from any form of information which reflects nothing more than everybody's taste."

Champion's show. The exhibit sells no products, but shows samples of the new graphic design for corporate images, technical manuals, products, books, posters, and the like.

Champion Paper, though not ballyhooing the show because it "wanted to be different," nevertheless wants to identify itself more closely with creative people, giving them more recognition. That's in line with Champion Paper's own corporate changes, which include a new, modern image [BW Jun. 24 '61, p72]. **End**

ade.
the
Arts
slav
r a
Cola

Bank of Canada, under new leadership, may change its policy on discount rates

The concept of the automatic and neutral discount rate—the rate at which a central bank provides funds to authorized borrowers—was an innovation of the Bank of Canada in 1956. This week it was rumored to be headed for the scrap heap.

Under James Coyne, who resigned last month as head of the Bank of Canada, the discount rate was fixed weekly at $\frac{1}{4}$ of 1% above the average yield of three-month Canadian Treasury bills. As Coyne saw it, the discretionary system used by other central bankers had little application in Canada because discounting at the central bank is not a common practice.

He felt that an automatic floating rate would contribute to the "smooth and efficient" functioning of the money market.

The Bank's new head, Louis Rasminsky [BW Jul.29 '61,p28], has not made any public statement on the discount rate. But some of Canada's big banks have objected to the automatic rate, feeling that a discretionary rate would give them a "lead" that is now lacking, and Canada's Finance Minister, Donald R. Fleming, who led the fight to oust Coyne, has criticized it. So some observers think Rasminsky will adopt the discretionary system as a token of his willingness to cooperate.

Whether or not the Bank of Canada discards its automatic rate, closer ties with the government are in the making. Rasminsky himself has suggested that he and Fleming arrange a "route procedure for regular meetings at fairly frequent intervals."

For tax reasons, Diamond Alkali Co. calls off merger with Chemical Process

Diamond Alkali Co., which fought and won a bloodless battle with Commercial Solvents Corp. for control of Chemical Process Co., learned this week that it will be denied the full fruits of its victory. It had planned to merge, but it failed to get the Internal Revenue Service's agreement that an exchange of stock between the two companies would not involve any gain or loss for tax purposes.

As a result, the merger, which was to have been made on the basis of one share of Diamond's new preferred stock for every $8\frac{1}{2}$ shares of Chemical Process, has been called off. But Diamond has effective control of Chemical Process. It already owns 80% of its shares and has offered to buy up the remainder.

Crane Co. backs out of Briggs Mfg., gets control of AllianceWare instead

Crane Co., a leading plumbing and hardware manufacturer, last week shed the problem posed by its holding

of 231,674 shares in Briggs Mfg. Co. and picked up a new subsidiary. It transferred its Briggs holdings to American Metal Products Co., added \$3.5-million in cash, and got control of AllianceWare, Inc., an American Metal subsidiary that makes pressed steel plumbing fixtures and other products.

Crane had originally bought the Briggs shares two years ago for about \$2.6-million. It planned a merger. But Briggs objected, and last year filed an antitrust suit against Crane. Then the Federal Trade Commission got into the act, hitting Crane with a court order restraining it from voting its Briggs stock.

Hilton's Carte Blanche rolls up bigger sales volume—and bigger losses

Hilton Credit Corp.'s Carte Blanche, No. 3 credit card after Diners' Club and American Express, is increasing its sales—and losses. For the year ended Apr. 30, volume jumped from \$68.9-million to \$104.9-million, while losses increased from \$2.3-million to \$4.2-million.

Most of the increase in volume came from charges at Hilton Hotels (Hilton Hotels Corp. owns 34% of Hilton Credit Corp.), which are not so profitable as some of the other areas where credit cards are used. The increased loss, according to Benno M. Bechhold, Hilton Credit's president, was mainly due to the settling up of a \$4.6-million bad debt reserve.

Bechhold has said that a merger with one of the two leaders in the field would solve Hilton Credit's problem [BW May12'61,p53]. But so far, despite considerable negotiation, no deals have materialized.

New Haven gets \$5-million emergency loan but may have to hike fares anyway

The now bankrupt New York, New Haven & Hartford RR has secured the emergency financing it so desperately sought before going into receivership.

Two New York banks have lent the road \$5-million on the strength of its trustees' certificates, which are fully backed by the federal government. But the trustees point out that the \$5-million will be quickly consumed by current operating deficits and will do nothing to solve the road's long-term problems. So another hike in fares may be in prospect.

Meanwhile, the Interstate Commerce Commission is considering an investigation of Patrick B. McGinnis, the man who was president of the New Haven when it started its drop toward bankruptcy. The ICC may investigate the accounting methods of the Boston & Maine RR, which McGinnis now heads.

In a previous investigation of the New Haven, the ICC discovered numerous instances of dubious accounting decisions under the McGinnis regime. Generally, these took the form of depleting reserve accounts, which had the effect of appearing to improve current earnings.

*The right
transportation
method
may mean
the
difference
between*

PROFIT & LOSS

At first glance, air freight may *seem* to cost more than surface transportation. But when you gear physical distribution to the speed of United Jet Freight, you may find it actually costs less.

For example, you would lower warehousing costs because jet air freight brings distant markets within one or two day delivery range.

Therefore you need warehouse only the fastest moving part of your line, reducing capital in duplicated inventories of the slower items. What's more, the speed of United Air Freight cuts the cost of inventory in transit.

Though air freight may seem to cost more, it can actually reduce total costs by hundreds of thousands.

Air freight may be the way to reverse the rising trend of distribution costs. To learn more of this new concept, mail the coupon for your "Air Freight Profit Analyzer." Or call your United Sales Office.

United Air Lines, Cargo Sales Division

Dept. B-108, 36 S. Wabash Avenue, Chicago 3, Illinois

Gentlemen: Please send me the new United Air Lines "Air Freight Profit Analyzer."

Name

Title

Firm

Street

City Zone State

WORLD'S LARGEST JET FLEET



KNOWN FOR EXTRA CARE



A Morse answer



Morflex couplings

...when the problem involves vibration and misalignment

Isolate vibration

Cushion shock

Absorb misalignment

Torsionally flexible

Impervious to water, dirt, oil

Arrest electrolysis

Distributor-stocked

Got a coupling problem? Call your Morse distributor. He's listed in the Yellow Pages.

MORSE

A BORG-WARNER INDUSTRY



Morse Chain Co., Dept. 3-81, Ithaca, N.Y. Export Sales: Borg-Warner International, Chicago 3, Ill. In Canada: Morse Chain of Canada, Ltd., Simcoe, Ont.

TRANSPORTATION

Moving sidewalks start toting more traffic

Sales of the human conveyer belts are rising to a new variety of customers, including shopping centers, amusement parks, an airport—and a municipal redevelopment project

In one U. S. city, at least, it's now possible to get where you're going by standing still.

The city of Tacoma, Wash., early this summer opened the first half of its two-block-long, stairless moving sidewalk system. When the rest of the system is finished this fall, pedestrians who've grumbled for years about the city's hilly downtown streets will be able to ride at a slow but effortless 1 mph. through enclosed galleries between the banks and offices on Pacific Avenue and the retail stores along Broadway.

After seven years of relative stagnation, sales of moving sidewalks are finally beginning to pick up speed. The Tacoma project, which required the installation of tunnels through buildings at mid-block locations, is the most extensive application of moving sidewalks since the first commercial system opened in Jersey City's Erie Station in 1954 [BW May 29 '54, p33]. But moving sidewalks similar to Tacoma's also are being installed in sprawling Valley Forge Shopping Center near Philadelphia, the Akron-Canton Airport, and the self-service Point Loomis outlet of Milwaukee's Boston Store.

Record year. By yearend there should be nearly 70 systems operating in such diverse settings as a West Virginia steel mill, a Swiss department store, a Chicago baseball park, and a Los Angeles car wash. Almost half the systems will have been installed in 1961.

Basically, moving sidewalks are simply conveyer belts built to carry people. Like industrial belts, they move horizontally or on an incline; unlike escalators, they have no stairs. Most units consist of a thin (½- to ¾-in.) rubber-and-fabric belt pulled across a stainless steel deck or rollers by a small motor. Belts can run at varying speeds, though 120 ft. per min.—about 1½ mph.—is common.

Who's buying? According to Ste-

phens-Adamson Mfg. Co., Aurora, Ill., a major producer of moving sidewalks, three principal markets for the systems are developing:

1. Multi-level shopping centers and self-service stores that use shopping carts. When the Valley Forge center decided to put 19 additional stores on a new lower level, its promoters picked a Stephens-Adamson "Speedramp" to carry shoppers—especially those with baby buggies—between the two levels.

2. Airports, railroad stations, ball parks, and the like, where they are needed for moving large crowds to or from a congested point. The Dallas airport's system, for instance, delivers travelers to loading ramps.

3. Municipal redevelopment projects. Tacoma's program marks the first time a city has invested in moving sidewalks as part of a downtown rejuvenation program. With most cities facing the twin problems of traffic congestion in central areas and the decline of downtown retail districts, Tacoma may become a pacesetter for other cities. In the talking stage are redevelopment plans for New York City's Welfare Island [BW May 20 '61, p30] and Indianapolis' downtown business district that might include moving sidewalks.

I. Building a market

A major factor behind the spurt in moving sidewalk sales is the Stephens-Adamson Mfg. Co., a 60-year-old manufacturer of bulk conveyer systems and industrial ball bearings.

To be sure, other and bigger companies have also built moving sidewalks. Hewitt-Robins, Inc., put in the extensive system at Dallas airport and a smaller one at Weirton Steel Co., Weirton, W. Va. Link-Belt Co. has one at the Houston Coliseum, and Otis Elevator Co. one in the London subway and another at a San Diego motel. However,

t

a,
e-
ne

rs
o-
ge
al
o-
on
es

ll
re
ls
ne
e,
s.
j-
ne
v-
n
st
of
as
il
a
e
at
e
d
s
g

n
e-
r
s.
r
g
t
s-
r-
n
e
r,
1



In mass transit. Chicago Transit Authority's ramp carries 30,000 people daily from street to elevated railroad platform.



In the factory. Employees at new Stephens-Adamson plant in Aurora, Ill., use moving ramps for floor-to-floor travel.



For exhibits. This walk at Chicago's Museum of Science & Industry has carried 5-million past Goodrich display.



At the ball park. Fans at Chicago's Wrigley Field ride ramps to upper decks and bird's-eye view of Cubs in action.

Stephens-Adamson claims credit for 90% of the systems now in use.

Aggressive effort. Stephens-Adamson (total 1960 volume: \$25-million) has been going after customers aggressively. Says Pres. Donald L. Stephens: "We stuck with it because we were pretty well convinced moving sidewalks were a coming thing. Experience taught us it takes six to nine years to put a new product on the market so we weren't too disappointed with early results."

Stephens-Adamson built its prototype moving sidewalk in 1952 for B. F. Goodrich—a 65-ft. unit installed in front of a Goodrich display in Chicago's Museum of Science & Industry (picture, page 115). The company's initial sales push came after it supplied machinery for the 1954 Erie Station system. But between 1954 and 1960, it sold fewer than 40 installations and lost nearly \$1-million on its "Speedwalks" (moving sidewalks that run horizontally) and "Speedramps" (walks that run on an incline).

Roadblocks. Stephens-Adamson says that two things have held it back. One was the problem of selling a new product in an unfamiliar market.

"We're an engineering company," says Stephens. "We lacked contacts with architects and builders. We were trying to sell a new concept to people we didn't know."

That was partially solved in 1959 when the company switched from direct selling to selling through Montgomery Elevator Co. distributors. But though sales began to climb, some organizational roadblocks still remained. Finally, in a broad revamping of the company's structure early this year, Speedwalk Dept., which turns out both walks and ramps, was moved out of the Contract Engineering Div. and into the merchandising-oriented Products Div., which handles all the company's standard products.

Under the new setup, Stephens-Adamson markets moving sidewalks through 13 sales offices, five direct salesmen, and 60 elevator contractors and distributors. Although the two-year association with Montgomery Elevator Co. has been generally successful, the company is in the process of switching to independent elevator contractors. Says Stephens: "Company distributors have their own products to sell."

Safety. The other obstacle to sales stemmed from a fatal accident in 1960. A child's coat got snagged between the moving belt and the exit plate on the sidewalk in the Dallas airport. The adverse publicity reinforced the industry's close attention

to accident prevention. Otis Elevator, for example, uses metal plates instead of a rubber belt in its moving sidewalks, claims this gives it the safety benefits of similarly constructed escalators.

Most of Stephens-Adamson's research on moving sidewalks has been on safety. It has developed devices that "comb" away objects from the exit plate and automatically stop the system if a foreign object should get caught.

II. Breakthrough in sales

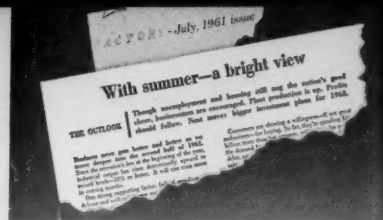
The first sign of a sales breakthrough came when Stephens-Adamson sold 10 sidewalks last year—nearly half the number it had sold in the previous five years. This year, with orders for 23 sidewalks already on the books, Speedwalk Dept.'s volume should hit \$1-million—just about the breakeven point.

"Now we're planning to make money," says Pres. Stephens. He expects to sell 30 to 35 installations this year and, hopefully, 50 to 100 in 1962. Within two years, he believes Speedwalk Dept.'s sales will hit \$5-million to \$8-million—a healthy chunk of the company's total volume.

Increased sales already are beginning to trim production costs. Instead of waiting for orders and then fabricating each system separately, Stephens-Adamson can now standardize and stockpile many of its components. To Robert O. Schaeffer, Speedwalk Dept.'s sales manager, 1961 represents "the year we finally left the era of custom tailoring."

Costs. Schaeffer says moving sidewalks are somewhat cheaper to install and maintain than escalators. A typical Speedramp installation—a 54-ft. ramp, 42 in. wide with a 12-ft. rise—would run about \$25,000. "The same escalator would be around \$32,000," Schaeffer says. "We generally figure a moving sidewalk will cost about a third less to buy and maintain than a comparable escalator." Stephens-Adamson offers buyers a preventive maintenance program, with monthly inspections, for about \$350 per unit per year.

Otis Elevator differs on the figures; it contends that moving sidewalks and escalators probably would be fairly competitive in price, and that the walks have not been in use long enough to assess accurately long-term maintenance costs. The company feels that the curiosity value of moving sidewalks has been a more important spur to sales. Otis is now completing an installation at Denver's Alameda Shopping Center, which will connect the shopping floor with a roof parking area. **End**



McGraw-Hill publications reach your most important customers and prospects in these major markets:

- AEROSPACE**
Aviation Week and Space Technology
- ARCHITECTURE**
Western Architect & Engineer
- APPLIANCE-RADIO-TV**
Electrical Merchandising Week
- ATOMIC ENERGY**
Nucleonics
- BUSINESS MANAGEMENT**
Business Week
- COAL MINING**
Coal Age
- CHEMICAL PROCESS INDUSTRIES**
Chemical Engineering • Chemical Week
- CONSTRUCTION**
Construction Methods & Equipment
Engineering News-Record
- DISTRIBUTION-INDUSTRIAL**
Industrial Distribution
- ELECTRICAL CONSTRUCTION AND MAINTENANCE**
Electrical Construction & Maintenance
- ELECTRICAL GOODS**
Electrical Wholesaling
- ELECTRICAL UTILITIES**
Electrical World • Power • Electrical West
- ELECTRONICS**
Electronics
- INSTRUMENTATION AND CONTROL**
Control Engineering
- MANUFACTURING PLANT OPERATION**
Factory
- METAL & NONMETALLIC MINING**
Engineering and Mining Journal
E&M Metal & Mineral Markets
- METALWORKING**
American Machinist/Metalworking Manufacturing
- OFFICE TRAINING**
Today's Secretary • Business Education World
- PETROLEUM**
National Petroleum News
- POWER**
Power • Electrical World • Electrical West
- PRODUCT DESIGN**
Product Engineering
- PURCHASING-INDUSTRIAL AND BUSINESS**
Purchasing Week
- TEXTILES**
Textile World
- TRUCK AND BUS FLEETS**
Fleet Owner
- OVERSEAS PUBLICATIONS**
International Management
(Latin America and European Editions)
The American Automobile • El Automovil
Americano
Ingenieria Internacional Industria
Ingenieria Internacional Construcción
Metalworking Production (London)

FACTORY - July, 1961 issue

With summer—a bright view

THE OUTLOOK

Business news gets better and better as we move deeper into the second half of 1961. Since the recession's low at the beginning of the year, industrial output has risen determinedly upward to record levels—10% or better. It will rise even more in coming months.

One strong supporting factor, federal spending for defense and welfare, is now moving...

Though unemployment and housing still nag the nation's good cheer, businessmen are encouraged. Plant production is up. Profits should follow. Next move: bigger investment plans for 1962.

Consumers are showing a willingness—if not great enthusiasm—for buying. So far, they're spending \$1 billion more than last summer, with the demand for autos, appliances, debts, consumer sales...

Business is always better for those who go after it. Today... and every day...

you can sell hard with consistent advertising in the McGraw-Hill publications read by key men in your major markets.



McGraw-Hill

PUBLICATIONS



McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York 36, N. Y.

More than one million key men in business and industry go to read McGraw-Hill publications.

RESEARCH

Testing the Titan by sound

Martin Co. uses the roar of sirens to duplicate stress on parts from vibration

In an isolated valley southwest of Denver, test engineers of Martin Co. beam a siren at a piece of aluminum alloy skin from a Titan missile and study how long it takes for the sound waves to shatter the material (pictures).

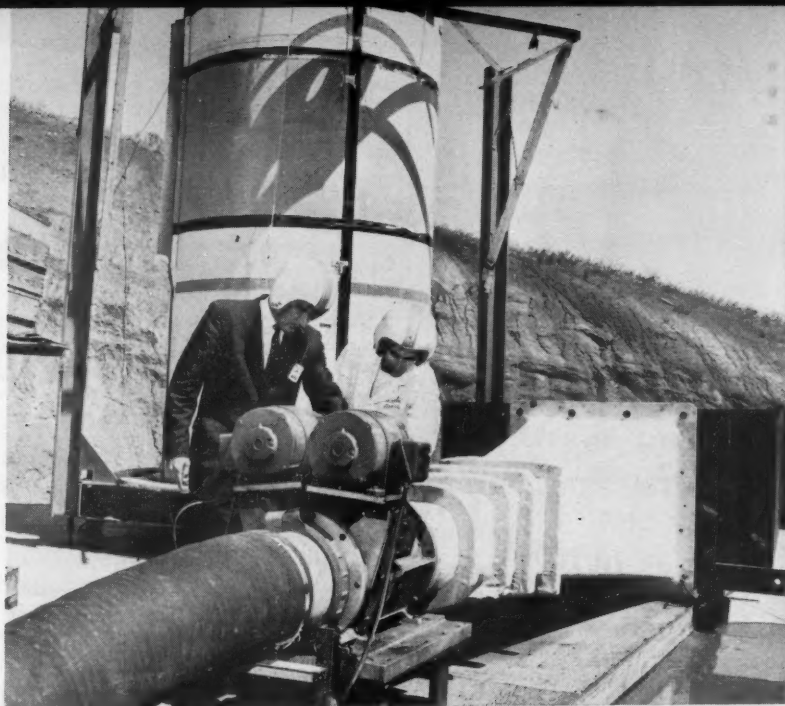
Each siren—and there are three at the test site—is capable of creating a roar of random sound (not brought to a given pitch as in conventional sirens) that reaches a level of 172 decibels. That's 1-million times as high as the threshold of pain for the human ear.

Sound in a barrel. Originally, this acoustical test stand was set up to see how the Titan II, designed to be fired from underground silos, would stand up under the battering of reflected sound in the 15 sec. or so before it rose into open air.

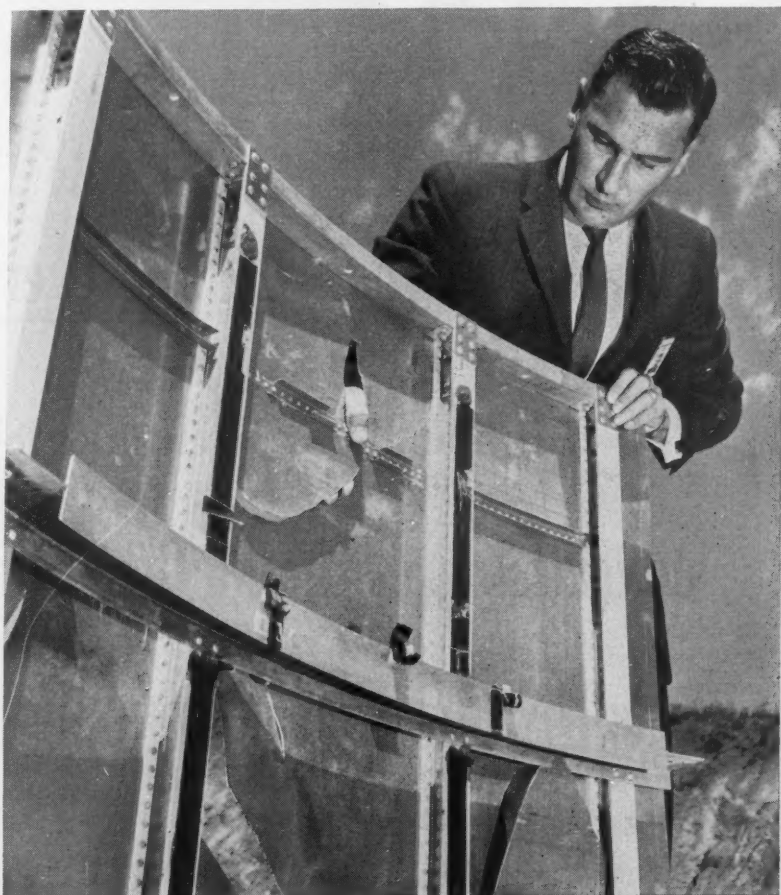
Now Martin engineers are using the sirens to prove each step of designers' calculations of vibrations from sound waves as they affect every part of the missile.

Theoretical calculations don't always match in-flight conditions. When Titan I was first fired, for example, actual vibration as the bird approached the speed of sound, was at some points more intense than expected, at others less severe. Some parts of Titan II will have thinner skins than similar parts of Titan I, because designers now know where the severe stresses are.

Acoustical testing began in the early days of work on jet engines, when airframe manufacturers needed to be sure that the sound waves wouldn't batter a plane's skin to shreds. The British Royal Air Force used acoustical testing in the development of its Bluestreak missile. And the U.S. Air Force is now building a big acoustical test setup at its Wright Air Development Center.



Stephen Weller, manager of Martin Co.'s acoustical test facility near Denver, and a technician look over a siren. Two motors on top run the rotors; sound funnels out through the horn. In background, the second stage of a Titan I.



Eight minutes of exposure to sound from siren did this to an aluminum alloy panel from Titan's skin. Weller says such tests show designers, actually rather than theoretically, how much vibration resistance they must allow.

Index of advertisers August 12, 1961

AERO COMMANDER, INC.	44
Agency: Beals Adv.	
AMERICAN APPRAISAL CO.	68
Agency: The Cramer-Krasselt Co.	
AMERICAN SMELTING & REFINING CO.	14-15
Agency: Ward William & Co.	
AMERICAN TELEPHONE & TELEGRAPH CO.	97
Agency: N.W. Ayer & Son, Inc.	
AMERICAN TELEPHONE & TELEGRAPH YELLOW PAGES	103
Agency: Cunningham & Walsh Inc.	
ANCHOR POST PRODUCTS, INC. [FENCE DIV.]	72
Agency: VanSant, Dugdale & Co., Inc.	
AVCO CORP.	69
Agency: Benton & Bowles, Inc.	
THE BANK OF NEW YORK	77
Agency: Doremus & Co.	
BLAW-KNOX CO.	95
Agency: Ketchum, MacLeod & Grove, Inc.	
BUFFALO FORGE CO.	90
Agency: Melvin F. Hall Adv., Inc.	
BUSINESS WEEK	98-99
CHAMBERSBURG ENGINEERING CO.	6
Agency: Willard G. Myers	
CLEVELAND ELECTRIC ILLUMINATING CO.	39
Agency: McCann-Marshall Co., Inc.	
CLUPAK, INC.	65
Agency: Lennen & Newell, Inc.	
COMMERCIAL CREDIT CO.	10
Agency: VanSant, Dugdale & Co., Inc.	
CONTINENTAL ILL. NAT'L BANK & TRUST CO. OF CHICAGO	82-83
Agency: Earle Lugin & Co.	
DOW CHEMICAL	4
Agency: Chirung & Cairns, Inc.	
DUNHAM-BUSH, INC.	88
Agency: William Schaller Co., Inc.	
ELLCOTT MACHINE CORP.	64
Agency: O.S. Tysen & Co., Inc.	
FIRST NATIONAL CITY BANK OF NEW YORK	64, 108
Agency: Albert Frank-Guenther Law, Inc.	
GENERAL ELECTRIC CO. [LAMP DEPT.]	84
Agency: Batten, Barton, Durstine & Osborn, Inc.	
GENERAL TIME CORP., STROMBERG DIV.	46
Agency: Wade, Walden & Whitman, Inc.	
THE B.F. GOODRICH CHEMICAL CO.	24
Agency: The Griswold-Eshleman Co.	
GREAT LAKES STEEL CORP.	22-23
Agency: Campbell-Ewald Co.	
HERTZ CORP.—CAR LEASING	86
Agency: Needham, Louis & Brorby, Inc.	
INTERNATIONAL BUSINESS MACHINES, DATA PROCESSING DIV.	18
Agency: Marsteller, Rickard, Gebhardt & Reed, Inc.	
INTERNATIONAL NICKEL CO., INC.	100
Agency: McCann-Marshall Co., Inc.	
KEYSTONE STEEL & WIRE CO.	58
Agency: Thomson Adv., Inc.	
KLING PHOTO CORP.	72
Agency: Herbert Baker Adv., Inc.	

LIBERTY MUTUAL INSURANCE CO.	37, 64, 72, 108
Agency: Batten, Barton, Durstine & Osborn, Inc.	
LUMMUS CO.	78
Agency: G.M. Basford Co.	
MACK TRUCKS, INC.	66-67
Agency: Doyle, Kitchen & McCormick, Inc.	
McGRAW-HILL BOOK CO., INC.	94
McGRAW-HILL PUBLISHING CO., INC.	116-117
MINNESOTA MINING & MFG. CO.	12-13
Agency: Klau-Van Pletersom-Dunlap, Inc.	
MOBIL OIL CO.	70-71
Agency: Ted Bates & Co., Inc.	
MORSE CHAIN CO., DIV. OF BORG-WARNER	106, 108, 114
Agency: Ross Roy-B.S.F.&D., Inc.	
NATIONAL CASH REGISTER CO.	2nd Cover
Agency: McCann-Erickson Inc.	
NATIONAL DISTILLERS & CHEMICAL CORP.	11
Agency: Doremus & Co.	
NEWSWEEK INC.	47
Agency: Fletcher Richards, Calkins & Holden, Inc.	
NORTH CAROLINA DEPT. OF CONS. & DEV.	6
Agency: Bennett Adv., Inc.	
OCCIDENTAL LIFE INSURANCE CO. OF CALIFORNIA	76
Agency: Fuller & Smith & Ross Inc.	
O.F.C. DISTILLING CO., IMPORTED O.F.C.	3rd Cover
Agency: Doyle, Dane, Bernbach, Inc.	
OLIN MATHIESON CHEMICAL CORP. [METALS DIV.—ALUMINUM]	52
Agency: Doyle, Dane, Bernbach, Inc.	
PATERSON PARCHMENT PAPER CO.	74
Agency: Lewis & Gilman, Inc.	
PENNSALT CHEMICALS CORP.	21
Agency: The Aitkin-Kynett Co.	
PHILCO CORP.	63
Agency: Maxwell Assoc., Inc.	
PHOENIX-RHEINROHR AG	3
Agency: Ruhr-Studio	
PITTSBURGH PLATE GLASS CO., CHEMICAL DIV.	54
Agency: Ketchum, MacLeod & Grove, Inc.	
QUINCY COMPRESSOR CO.	72
Agency: L.W. Ramsey	
REMINGTON RAND UNIVAC	8-9
Agency: Fuller & Smith & Ross, Inc.	
REPUBLIC STEEL CORP.	104-105
Agency: Meldrum & Fewsmith, Inc.	
ROURA IRON WORKS	108
Agency: Marsteller, Rickard, Gebhardt & Reed, Inc.	
SCIENTIFIC AMERICAN	50-51
Agency: Fletcher Richards, Calkins & Holden, Inc.	
SHAW-BARTON	64
Agency: Merchandising, Inc.	
SHENANGO FURNACE CO.	49
Agency: Bond & Starr, Inc.	
SHERATON CORP. OF AMERICA	4th Cover
Agency: Batten, Barton, Durstine & Osborn, Inc.	

SINCLAIR OIL CORP.	35
Agency: Doremus & Co.	
STEEL SERVICE CENTER INSTITUTE	81
Agency: Meldrum & Fewsmith, Inc.	
SWEET'S CATALOG SERVICE	73
Agency: Muller, Jordan & Herrick	
THE TIMKEN ROLLER BEARING CO.	87
Agency: Batten, Barton, Durstine & Osborn, Inc.	
THE TORRINGTON CO.	40
Agency: Hazard Adv., Inc.	
UNION PACIFIC RAILROAD	109
Agency: Geyer, Morey, Madden & Ballard, Inc.	
UNITED AIR LINES	113
Agency: N.W. Ayer & Son, Inc.	
UNITED STATES RUBBER CO.	16-17
Agency: Fletcher Richards, Calkins & Holden, Inc.	
VIRGINIA ELECTRIC & POWER CO.	92
Agency: Cargill, Wilson & Acree, Inc.	
WASHINGTON STEEL CORP.	7
Agency: Cabbot & Coffman, Inc.	
WEST VIRGINIA PULP & PAPER CO.	43
Agency: Fuller & Smith & Ross Inc.	
WYANDOTTE CHEMICALS CORP.	59-62
Agency: Ross Roy-B.S.F.&D., Inc.	

Advertising Sales Staff

Midwestern Advertising Sales Manager
William C. Bradford: Chicago

Eastern Advertising Sales Manager
R. Bernard Alexander: New York

Atlanta 9: Douglas C. Billian, 1375 Peachtree St., N. E. [Atlanta] 875-0523
Boston 16: Kent Sanger, McGraw-Hill Bldg., Copley Square, Congress 2-1160
Chicago 11: Albert D. Gray, Herbert M. Higgins, William F. Holbrook, Robert Sidur, 645 No. Michigan Ave., Mohawk 4-5800
Cincinnati 2: Richard J. McGurk, Carew Tower, Garfield 1-5474
Cleveland 13: L.J. Biel, John G. Cashin, 35 Public Square, Superior 1-7000
Dallas 1: Robert T. Wood, 1712 Commerce St., Riverside 7-9721
Denver 2: John W. Patten, 1700 Broadway, Alpine 5-2981
Detroit 26: G. Robert Griswold, Donald C. Maunders, Penobscot Bldg., Woodward 2-1793
Houston 25: Gene Holland, Prudential Bldg., Jackson 6-1281
Los Angeles 17: Russell H. Antles, 1125 West Sixth St., Huntley 2-5450
Minneapolis 2: Richard C. Thompson, 120 South Sixth St., Federal 2-7425
New York 36: Alfred L. Blessing, Fred R. Emerson, John H. Glover, John F. Jurascsek, Francis F. McAdams, John C. White, Jr., 300 5th Ave., Oxford 3-5959
Philadelphia 3: Henry T. Berry, William L. Blanchard, David G. Jensen, Six Penn Center Plaza, Locust 8-4930
Pittsburgh 22: John R. Thomas, Four Gateway Center, Express 1-1314
St. Louis 8: John F. Boomer, 3615 Olive St., Jefferson 5-4867
San Francisco 11: Donald R. Thompson, 255 California St., Douglas 2-4600
London W. 1: Edward E. Schirmer, 34 Dover St.
Frankfurt: Stanley Kimes, 85, Westendstrasse, Frankfurt-M, Germany
Geneva: M. R. Zeynel, 2, Place du Port, Geneva, Switzerland
Tokyo: International Media Representatives, Ltd., Kishi Kurabu 14 Marunouchi, 2-Chome

The U.S. faces a United Europe

With Britain's historic decision to abandon its aloof stand as head of the Commonwealth and to join the European Economic Community (EEC), the unity of Western Europe has now become virtually assured. Though a year of difficult negotiations may lie ahead, there can be little doubt of the outcome. Prime Minister Macmillan has prepared the ground carefully by holding painstaking consultations over many months with all the members of EEC.

In Washington, the British decision has been welcomed as an act of high statesmanship. It has put Britain and the Continent on that broad road to economic and political unity that has been a goal of U.S. policy since the days of the Marshall Plan. Moreover, with the Berlin crisis staring us all in the face, it has come at a moment when European unity has never been more essential.

In defending his government's course before the House of Commons, Macmillan went out of his way to stress the need for strengthening Europe against "the enormous monolithic strength of Soviet power." But equally important, quite clearly, is Macmillan's resolve to face the economic facts of life—the dynamic growth of the EEC nations and the declining importance to Britain of Commonwealth trade (page 56). These facts have been brought home to London this year by the recurrence of its balance-of-payments difficulties.

There will be tough and difficult bargaining between Britain and EEC, of course. London, for example, is prepared to weaken its Commonwealth trade ties, but it is determined to get some concessions in the enlarged EEC for Commonwealth

exports of agricultural products and raw materials.

As the problems are threshed out, Washington may well find itself in an awkward position—caught between wanting a resolution of British-EEC differences and not wanting U.S. exports to be hurt in the process. If Britain were to get special preferential access in EEC for Australian and Canadian agricultural products, U.S. farm exports would be hurt.

The level at which the enlarged EEC fixes its common external tariff for industrial goods will also be of great importance to the U.S. The average of British tariffs for such products today is slightly higher than EEC's present external tariff, and that doesn't allow for the extra 20% cut in their common tariff that the EEC nations have promised.

Certainly, Washington should use whatever means it can to see that British membership in EEC does not raise the level of protection in Western Europe. It will be difficult enough for U.S. exports to face the wider area of discrimination that is automatically involved.

But while these are matters that must concern Washington, it is even more important that the U.S. face the broader implication of the development in Europe of a huge and dynamic economic unit. Make no mistake about it, this will be an increasingly competitive force in both the export markets and the financial markets of the free world.

For sound political reasons, the U.S. has been a prime mover in this development. But we can expect to profit from the greater strength that it will bring to Europe only if we maintain our own competitive strength.

Too much jaw-boning

Lee Loevinger, head of the Justice Dept.'s Anti-trust Div. has raised the threat of action against two of the nation's largest companies three times in recent months.

In May, Loevinger informed a union official that his division was investigating "various aspects" of the telephone industry and AT&T.

In June, he threatened a divestiture suit against General Electric Co., in the course of outlining possible government actions if the company failed to sign a consent decree in the identical-bidding case.

Last week, he again struck at AT&T—this time in the form of a disclosure to a Congressional committee that the government was considering anti-trust action to force the company to divest itself of its overseas operations.

The trouble with all of these statements is that they subsequently had to be softened or denied.

The Justice Dept. said Loevinger's May statement about investigating AT&T was a "routine" response to a complaint he had received. The June statement did not, in his opinion, constitute a "threat" against GE. Loevinger himself tried to modify his latest statement immediately after he made it, by telling reporters covering his Congressional appearance that no decision had been reached to proceed against AT&T.

This is irresponsible talk. It will not advance the work of the department nor the economic and social welfare of the country. It should be reviewed at the highest levels—for jaw-boning has been used much too much by this Administration.

M

ls.
on
ht
er-
he
ial
ri-
rt.
its
so
of
ly
at
on

er
CC
rn
rts
to-

rn
S.
in
it.
as-
ets

a
ex-
will
wn

nat
te-
re-
ne
a
to
he
on-
een

he
cial
at
sed

1961